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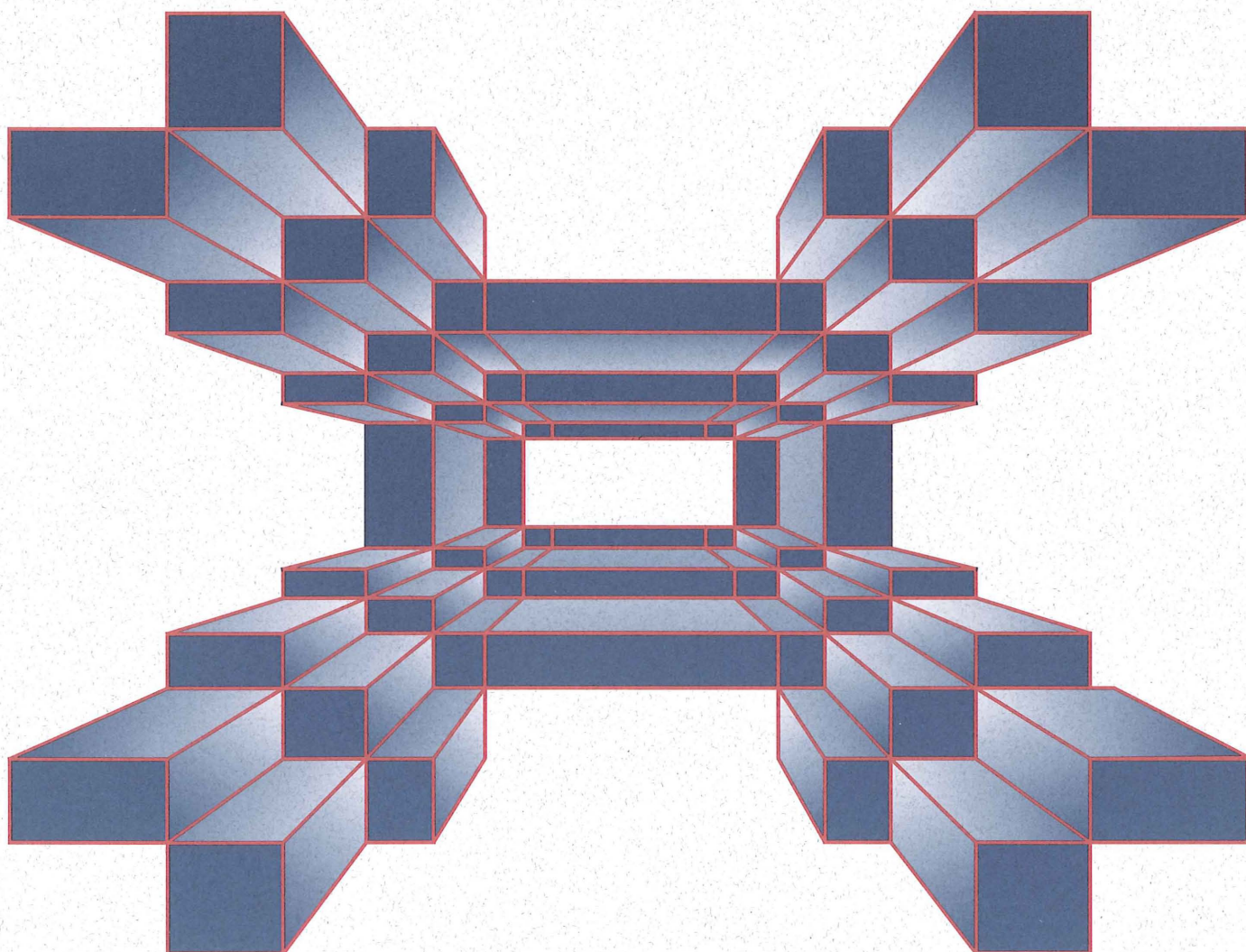
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# BUSINESS OUTLOOK

## for West Michigan



# BUSINESS OUTLOOK

## for West Michigan

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W.E. UPJOHN INSTITUTE for Employment Research

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# WEST MICHIGAN VIEWPOINT

## A Nation of Campers

We Americans move around a lot. From 1995 to 2000, 46 percent of U.S. residents moved to a new home and 8.4 percent relocated to a new state. But southwest Michigan gets less than its share of that 8.4 percent. From 1995 to 2000, only 6.2 percent of the area's residents have moved here from out-of-state.

The big question is whether the southwest Michigan economy is helped or hindered by the new arrivals. Are they better educated and younger than stayers or persons who moved only from within the borders of the state? The answers are yes and yes. As shown in Table 1, of the individuals who moved to southwest Michigan (comprising Allegan, Barry, Berrien, Calhoun, Kalamazoo, Kent, Muskegon, Ottawa and Van Buren counties) between 1995 and 2000 from out-of-state, 35.4 percent held a four-year degree or higher, compared to only 20 percent of the stayers or in-state movers. On the other end of the educational spectrum, out-of-state movers were less likely to be high school dropouts or to have ended their formal education after graduating from high school—33.6 percent, compared to 49.1 percent of those from in-state.

**Table 1**  
**Educational Attainment of Southwest Michigan Adults**  
**Age 25 and Older (%)**

	Nonmovers and in-state movers	Migrants from other U.S. states
Dropouts	16.0	12.8
H.S. graduates	33.1	20.8
Some college, no degree	23.3	24.0
Associate degree	7.5	7.0
Bachelor's degree	13.4	22.0
Graduate degree	6.6	13.4

Source: U.S. Census 2000 Public Use Microdata Samples

If we look solely at young adults 25 to 34 years old, the same story holds true: individuals who moved into southwest Michigan between 1995 and 2000 are better educated, on average, than stayers or in-state movers. As shown on Table 2, 34.8 percent of individuals between the ages of 25 and 34 years who moved into the nine-county region in those years

**Table 2**  
**Educational Attainment of Southwest Michigan Adults**  
**Ages 25 to 34 (%)**

	Nonmovers and in-state movers	Migrants from other U.S. states
Dropouts	11.7	11.5
H.S. graduates	30.0	19.8
Some college, no degree	26.3	26.9
Associate degree	9.5	7.0
Bachelor's degree	18.6	26.0
Graduate degree	4.0	8.8

Source: U.S. Census 2000 Public Use Microdata Samples

held a four-year degree or higher, compared with only 22.6 percent of stayers or in-state movers.

As for the age profile for our new neighbors who come from out-of-state, 61.3 percent are younger than 35 years of age, compared with only 45.2 percent of the stayers or in-state movers. Many of the movers from out-of-state are young parents with children or are college students. By the way, to no one's surprise, the state is not a retirement mecca for out-of-state residents.

**Table 3**  
**Age Profile of Southwest Michigan Residents**  
**by Migration Status (%)**

Age	Nonmovers and in-state movers	Migrants from other U.S. states
5 to 18	21.8	23.1
18 to 24	10.1	14.6
25 to 34	13.3	23.6
35 to 44	17.2	18.5
45 to 54	14.8	10.4
55 to 64	9.3	4.1
65 and older	13.5	5.7

Source: U.S. Census 2000 Public Use Microdata Samples

We need to attract more people from out-of-state. Education matters, not only to the success of the individual but to the success of the region at large. Regardless of industry, earnings and productivity are tied to the level of educational achievement of a region's labor force. Clearly, this means that the competitiveness of southwest Michigan rests, in part, on the region's ability to attract and retain educated workers.

Attracting new residents from out-of-state is not an easy task, however. While it is true that advancements in communication technology are allowing greater mobility, highly trained and educated workers still flock to larger metropolitan areas, which offer more career opportunities for two-career households. Plus it is hard to compete against the cultural and recreational offerings of San Diego, Portland, or Boston, especially for young adults.

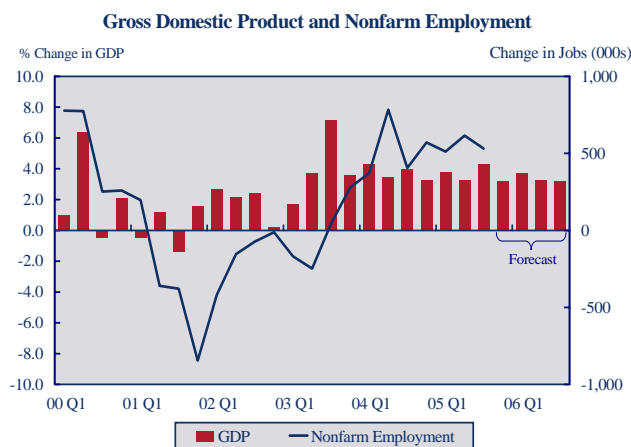
Still, southwest Michigan has great neighborhoods, short commutes, affordable housing, and Lake Michigan. By itself, the region's affordable housing offering must be very tempting to young professionals living on either of the two coasts, especially to those in Southern California.

A common complaint I have heard around our region is that our brightest kids do not stick around. This may be true, but this has been a problem ever since the founding of Paris. Compared to small towns, big cities are exciting and offer economic opportunities for young educated adults. Yet for the 28-year-old professionals who are tired of being house-poor and stuck in traffic all their lives, southwest Michigan might sound pretty good. If only they knew about it.

# NATIONAL ECONOMY

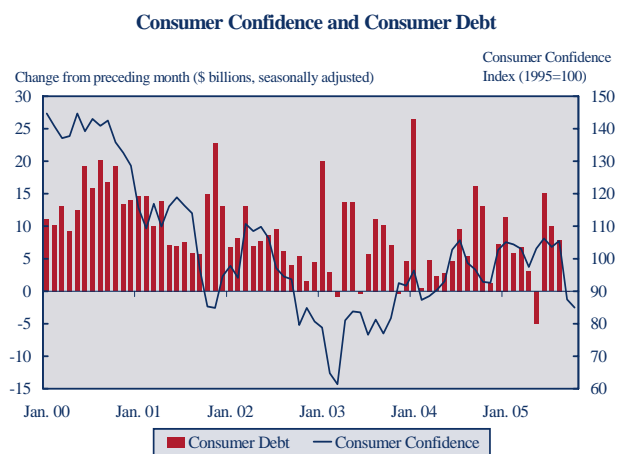
## Dashboard indicators are green; however, the road is getting slippery

The gauges on the national economic dashboard indicate few problems—output is strong, productivity remains robust, and the core rate of inflation is still low. The nation's Gross Domestic Product (GDP) rose by a potent 4.3 percent annualized rate during the third quarter. The quarter's growth was powered by a strong jump in consumer spending on durable



goods, driven by incentive-fueled auto sales. Overall, consumer spending rose at a 4.2 percent annualized rate. In fact, the nation's businesses had to raid their inventories to meet the quarter's demand. Final sales of domestic products grew at a robust 4.7 percent annualized rate. Still, although our economic engine is running smoothly, we may soon run into hazardous conditions, according to recent business reports.

Most forecasters are still predicting that 2006 will be another strong year. Even so, the problem with standard dashboard gauges is that they cannot monitor changing driving conditions, and the roads may be getting slippery.



Recently released reports on consumer confidence, oil prices, and housing markets have all added to a growing level of uncertainty about the nation's economy. Plus, the third quarter's robust GDP numbers were pushed by deficit government expenditures, particularly military spending, which increased at a 10.3 percent annualized rate. Without this boost from the government sector, GDP would have increased at a 3.7 instead of a 4.3 percent annualized rate.

Slick conditions do not necessarily mean that the economy will slow, but they do increase the risk of it driving into a ditch.

## Consumer spending—is the party over?

Consumers bought a lot of cars in the third quarter. Car sales cruised at a 17.9 million unit annualized rate, and consumer expenditures on motor vehicles soared at a 17.6 percent annualized rate during the quarter. Spending on nondurable goods and services was more subdued.

Unfortunately, consumers seem edgy. Car sales fell to a 14.7 million unit pace in October. Consumer confidence tanked in that month, and the financial stability of many households is being threatened by a lack of savings and by fears of a housing correction on the two coasts. The Conference Board's Consumer Confidence Index reached a two-year low in October, and the University of Michigan's Index of Consumer Sentiment also fell. Personal savings, measured as the difference between after-tax income and spending, was negative for the second quarter in a row.

The possible decline in housing values, especially on the two coasts, further threatens the financial stability of many households. Currently, housing markets are subdued, in part because of higher mortgage rates and a slight decline in demand in some markets. Several markets are seeing a strong increase in unsold inventory. The U.S. Department of Commerce reported that housing starts fell from an annual rate of 2.13 million in September to a 2.01 million pace in October. Fortunately, if there is a balloon, it seems that the air is being released slowly.

## Employment is back on track

Employers added 215,000 workers in November, after suffering two soft hiring months in a row. The loss of 8,000 jobs in September was fully expected because of the devastation wrought by Hurricanes Katrina and Rita. In fact, many thought the job loss would be far worse. However, the small gain of 44,000 jobs in October was disappointing. The November reading was more in line with analysts' expectations. Manufacturers logged their second month of



# REGIONAL ECONOMY

## The economy of the Great Lakes states is improving moderately, except for Michigan

Economic conditions in the Great Lakes region “continued to expand at a moderate pace during October and early November,” according to the Federal Reserve Bank of Chicago’s November *Beige Book* report. It also said that the region’s retail sales were improving and “on target,” that capital spending was growing at a gradual pace, and that manufacturing activities “continued to expand.” The region’s banks reported moderate lending activity with modest declines in residential lending. Commercial lending is expanding as competitive pressures generate “easier standards and terms.”

Unfortunately, the Chicago Fed’s report neglected to add that these improving conditions pertain to Great Lakes states other than Michigan. During the 12-month period ending in September, total employment in the five-state region of Illinois, Indiana, Michigan, Ohio, and Wisconsin rose by 0.4 percent. However, Michigan was the only state among the five that suffered an employment decline. Employment fell by 0.9 percent in the state, whereas it rose by 1.2 percent in Illinois and by 1.0 in Indiana.

Manufacturing employment fell in all of the five states; however, here again Michigan suffered the largest decline—3.3 percent, a loss of nearly 23,000 jobs. Michigan workers also logged fewer hours per week and suffered a 1.3 percent decline in average hourly earnings.

## Profitability is the issue

Third-quarter earnings reports were dismal for General Motors (GM) and Ford. Ford suffered a \$284 million loss in the third quarter and has announced that it is eliminating 4,000 white-collar jobs in 2006. But this is nothing compared to GM, which has lost \$2.2 billion during the past three quarters. In mid-November, GM announced that it was going to cut 30,000 jobs and close three assembly plants, including one of its Lansing facilities, in 2006. (The other two assembly plants are located in Oklahoma and Georgia.) The auto giant is also reducing output at three other plants and closing eight smaller facilities, including one in Flint and another in Ypsilanti.

Clearly, the pain does not stop with GM and Ford themselves; many of their suppliers are also in deep financial difficulty, with Delphi at the top of the list. In November, one month after it filed for bankruptcy protection, Delphi posted a \$788 million third-quarter loss, which calculates out to a loss of \$1.40 per share. Losses have not been new to Delphi since it broke off from GM in 1999; it lost \$4.8 billion in 2004 alone. Delphi follows other well-known auto suppliers into bankruptcy, including Tower Automotive and Federal-Mogul.

Despite the hardships of Delphi, many auto suppliers are not doing that poorly, according to a new survey by A.T. Kearney, an automotive consulting firm. Among the 69 global suppliers surveyed in its ninth annual Townsend Report, A.T. Kearney found that North American and European auto suppliers had financially outperformed Asian suppliers. In

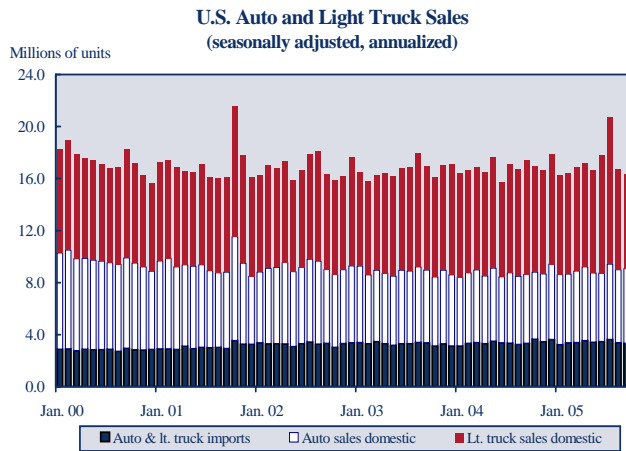
### Employment and Earnings<sup>a</sup>

Great Lakes region	September 2005	September 2004	Percent change	Great Lakes region	September 2005	September 2004	Percent change
<b>Illinois</b>				<b>Ohio</b>			
Total employment	5,869,300	5,802,100	1.2	Total employment	5,431,700	5,425,600	0.1
Mfg. employment	692,600	696,800	-0.6	Mfg. employment	822,000	825,200	-0.4
Avg. weekly hours	41.0	40.9	0.2	Avg. weekly hours	41.8	42.2	-0.9
Avg. hourly earnings	\$15.82	\$15.73	0.6	Avg. hourly earnings	\$19.24	\$18.95	1.5
<b>Indiana</b>				<b>Wisconsin</b>			
Total employment	2,968,800	2,938,100	1.0	Total employment	2,831,500	2,814,500	0.6
Mfg. employment	571,200	573,400	-0.4	Mfg. employment	500,600	502,600	-0.4
Avg. weekly hours	41.9	41.8	0.2	Avg. weekly hours	40.9	40.5	1.0
Avg. hourly earnings	\$18.38	\$18.17	1.2	Avg. hourly earnings	\$16.11	\$16.25	-0.9
<b>Michigan</b>				<b>United States</b>			
Total employment	4,360,800	4,399,000	-0.9	Total employment (000)	134,005	131,880	1.6
Mfg. employment	672,800	695,700	-3.3	Mfg. employment (000)	14,232	14,352	-0.8
Avg. weekly hours	42.4	42.7	-0.7	Avg. weekly hours	40.6	40.8	-0.5
Avg. hourly earnings	\$21.58	\$21.87	-1.3	Avg. hourly earnings	\$16.59	\$16.29	1.8

NOTE: September 2005 lists preliminary numbers.

<sup>a</sup>Employment numbers are seasonally adjusted for both the U.S. and the states. Average weekly hours and earnings are seasonally adjusted for U.S. only.

SOURCE: U.S. Bureau of Labor Statistics (BLS).

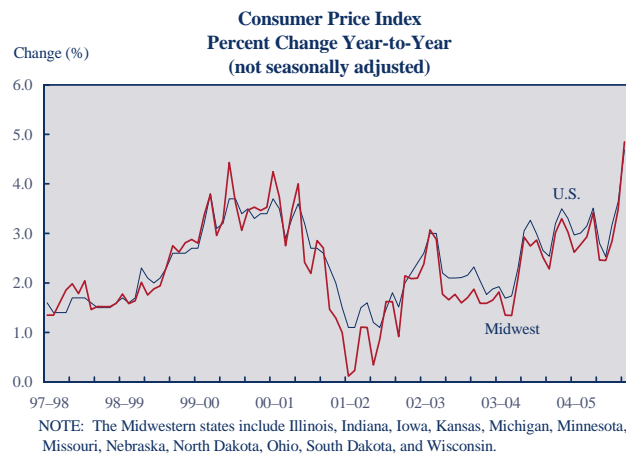


addition, it found that the financial situation of many suppliers has improved during the past several years.

Also, the economic ties of the auto companies to their suppliers appear to be fairly flexible. For example, A.T. Kearney reports that when one of GM's suppliers enters bankruptcy, the automaker releases it from the demanding productivity improvement schedule that it typically requires of its suppliers. In addition, GM and Chrysler have been known to pay Tier 2 and 3 suppliers on behalf of a bankrupted Tier 1 supplier.

Still, health-care costs continue to be a major concern for automakers and suppliers alike. In Ward's twenty-seventh annual survey of management, 74.1 percent of respondents from suppliers and 82 percent of respondents from auto assemblers agree that "rising health-care costs make it more difficult for my company to compete globally." In an attempt to stem the tide of rising costs, companies are cutting the coverage offered in their plans. More than 75 percent of the suppliers and assemblers surveyed said that their health plans are not as generous as they were five years ago.

Not only are the traditional Big Three burdened with legacy costs of pensions and retiree health care, but they must also bear the knowledge that they are again dead last in terms



of productivity growth, according to the 2005 Harbour Report. In 2004, on average, it took Ford 37 hours, Chrysler 35.9 hours, and GM 34.3 hours to build a car, compared to 32 hours for Honda, 29.4 for Nissan, and 27.9 hours for productivity leader Toyota. Toyota's productivity gains of 5.5 percent over last year are the best in the industry and add up to a \$500-per-vehicle cost advantage over GM.

On top of all this bad news, auto analysts are also fearful of a coming labor shortage. The high school diploma that got you through the door of an auto plant 20 years ago is insufficient today. The DaimlerChrysler engine plant in Monroe requires a minimum of a two-year associate degree. Indeed, Canadian analysts suggest that Toyota selected Ontario for the site of its seventh North American plant because the Canadians offer a more advanced skills training program.

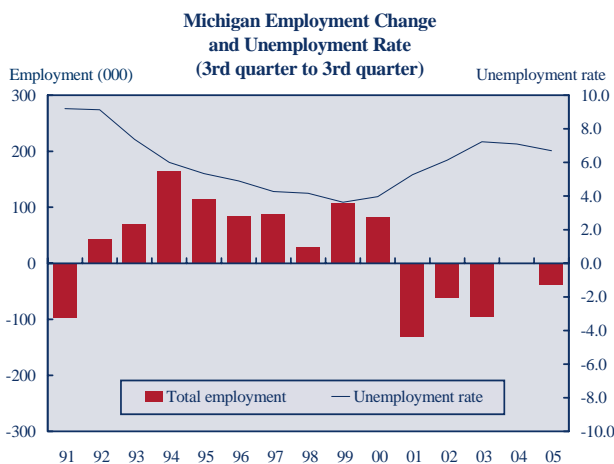
### Regional outlook is not robust

The National City Small Business Confidence Index found that business confidence among Midwestern small business owners fell from 81.1 to 79.9. In addition, the Chicago Fed's Midwest Manufacturing Index slipped by a slight 0.2 percent in September. Finally, high energy prices have closed the minor gap between the Midwest Consumer Price Index and the U.S. Consumer Price Index.

# STATE OF MICHIGAN ECONOMY

*Total employment in the state fell by 0.4 percent during the third quarter. Despite the loss of more than 19,000 jobs, the state's unemployment rate dropped to 6.7 percent during the quarter. The third-quarter readings of the state's economic indicators were mostly negative, suggesting that employment conditions will likely remain sluggish during the first several months of 2006.*

Employment in the state's goods-producing sector fell by 1.6 percent during the quarter, a loss of nearly 14,000 jobs, because of a slowdown in construction activity and further layoffs in the state's struggling manufacturing sector. The 1.3 percent drop in construction employment was associated with a 3.7 percent decline in the number of new dwelling units put under contract for construction during the quarter. Residential construction statewide fell by 13.5 percent during the past four quarters.



During the past year, manufacturers in the state have trimmed 23,500 jobs from their payrolls, reducing total manufacturing jobs by 3.4 percent. More than 75 percent of this job loss occurred in the state's troubled auto-dominated transportation equipment industry, where employment fell by 7.4 percent, or 18,500 jobs. The state's furniture industry had a slightly greater drop in percentage, 7.6 percent; however, fewer than 2,000 jobs were eliminated.

The bankruptcy of Delphi is especially significant to the Michigan economy. In many respects, it typifies the blight that faces many of the state's long-term auto suppliers. Delphi remained highly dependent upon General Motors, which has cut production levels for the past four years. According to J.P. Morgan estimates, GM's production levels have declined by 15 percent since 2002 and will decline by 7.3 percent more this year. Ford's production levels have fallen by 17.4 percent since 2002 and are predicted to decline by 5 percent more this year. Other suppliers that are heavily dependent on GM or Ford are American Axle (which derives 91 percent of its

business from those two automakers), J.L. French (81 percent), Lear (55 percent), and Cooper Standard (47 percent), according to J.P. Morgan.

Second, Delphi has a large number of retirees and faces major legacy costs that have been negotiated between it and its union workers. Such costs make it very difficult for Delphi and similar suppliers to remain competitive. It is unlikely that Delphi's proposal of to drop its average wage from \$27 an hour to approximately \$10 an hour will be accepted by its workers. However, a wage of \$16 an hour and higher co-pays on insurance would bring the company's wage structure more in line with that of other suppliers.

The University of Michigan is predicting that the state will lose approximately 3,800 production and 1,200 salaried positions at Delphi as the firm restructures its operations. Assuming that each of these jobs carried an employment multiplier of 3.5, this would mean that the state would lose a total of 17,500 jobs.

Employment in the state's private service-providing sector rose by a modest 0.1 percent during the quarter as large employment gains in the state's professional and business services and its education and health services offset large declines in retail and in leisure and hospitality.

Negative job growth coupled with lackluster personal income growth strongly contributed to the state's year-long decline in retail employment. Moreover, the decline in retail employment is in line with the findings of the monthly retail employment survey conducted by the Chicago Federal Reserve Bank in cooperation with the Michigan Retailers Association. The survey-based Retail Activity Index has been declining since March 2004, and hiring expectations of retailers have fallen slightly as well.

The 0.8 percent decline in the state's leisure and hospitality sector is somewhat surprising given the hot and dry summer we experienced.

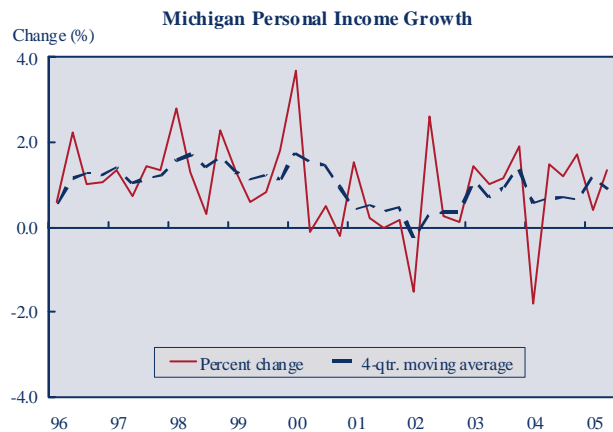
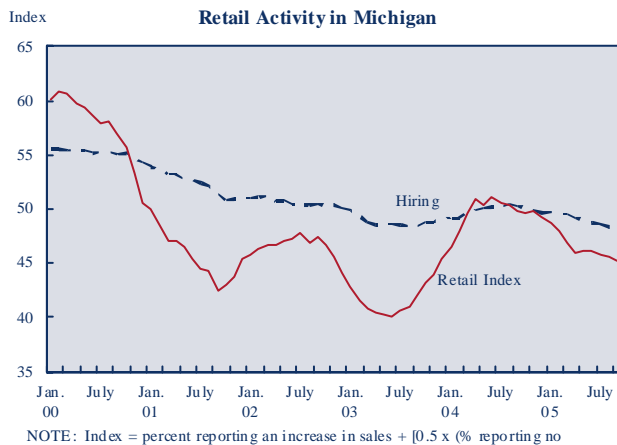
Finally, government employment declined by 1.2 percent, reflecting the ongoing financial crunch that local and state governments continue to experience.

Despite the decline in total employment, the state's unemployment rate fell to 6.7 percent during the quarter, suggesting that some job seekers have simply given up on finding work and have dropped out of the labor market.

The economic outlook for the state is not promising, unfortunately. Both the Detroit and the west Michigan composite Index of Help-Wanted Advertising fell during the quarter, suggesting that sluggish employment conditions in the state's service-providing sector may hold for the first couple of

months of next year. In addition, the Small Business Association of Michigan's October survey of its small businesses in the state found that only 47 percent expected their sales to improve next year, the lowest reading in the 12-year history of the survey. Less than a quarter of the small businesses surveyed expected to hire additional workers.

The University of Michigan forecasts that state employment will decline by 0.2 percent in 2006, resulting in a predicted loss of nearly 10,000 jobs. If true, this means that the state will record its sixth straight year of employment



declines. The University's forecasters are predicting that employment will rebound slightly in 2007. According to their forecast, the lack of job growth will push the state's unemployment rate up to 7.1 in 2006 and to 7.6 percent in 2007.

**Employment by Place of Work  
September  
(seasonally adjusted)**

Labor market area	Total nonfarm	% change, 2004-05	Goods-producing	% change, 2004-05	Private service-providing	% change, 2004-05
United States	134,005,000	1.6	22,146,000	0.9	90,002,000	2.0
Michigan	4,360,800	-0.9	868,100	-2.9	2,807,312	-0.2
West Michigan MSAs:						
Battle Creek	62,744	-1.4	16,473	-0.6	35,914	-1.9
Grand Rapids-Wyoming	381,448	-0.5	91,893	-1.6	252,837	0.0
Holland-Grand Haven	112,361	-1.8	41,325	-6.5	55,975	1.7
Kalamazoo-Portage	144,760	0.5	30,559	-2.2	90,752	1.3
Muskegon-Norton Shores	64,524	-0.7	15,896	-1.8	41,271	1.9
Niles-Benton Harbor	62,866	-1.8	16,481	-6.2	38,460	-0.3
Other labor market areas:						
Ann Arbor	205,089	1.3	28,017	-3.8	109,138	2.0
Bay City	39,349	-1.4	5,792	-6.4	27,736	0.7
Detroit-Warren-Livonia	2,037,830	-1.0	378,080	-1.9	1,423,320	-0.6
Flint	158,725	-0.9	28,736	-3.0	106,081	-0.3
Jackson	61,890	0.0	12,491	-1.6	37,986	0.0
Lansing-East Lansing	231,703	1.2	30,452	-3.5	133,533	1.0
Monroe	43,551	-1.6	10,851	-9.3	26,293	0.8
Saginaw	93,086	-0.6	17,524	-5.8	62,906	0.8

SOURCE: U.S. Department of Labor and the Michigan Department of Labor and Economic Growth (most recent benchmark).

# WEST MICHIGAN ECONOMY

*Total employment fell by 0.6 percent during the third quarter in the six metropolitan areas of west Michigan. Employment declines were reported in the region's goods-producing and government sectors. But even though the region lost 5,200 jobs during the quarter, its unemployment rate held steady and, in fact, dropped from 6.0 to 5.9 percent. Unfortunately, the region's economic indicators were mixed during the quarter, suggesting that employment conditions will remain sluggish during the first several months of 2006.*

Employment in the region's goods-producing sector fell by 1.4 percent during the quarter, representing a loss of 3,100 jobs. Employment declined by 1.6 percent in the region's construction sector. Manufacturing employment fell by 1.4 percent as both the region's durable goods and its nondurable goods producers reduced their employment levels.

The region's auto suppliers, as a whole, continue to struggle and to reduce their workforce. In Berrien County, Bosch continues to curtail operations. In the Grand Rapids area, Meridian Automotive announced that it is closing one of its area plants, eliminating 340 jobs, and Lear closed its Alpine Avenue plant, laying off more than 200 workers. In addition, the Grand Rapids area is waiting to hear the fate of its two Delphi plants, although early reports are positive.

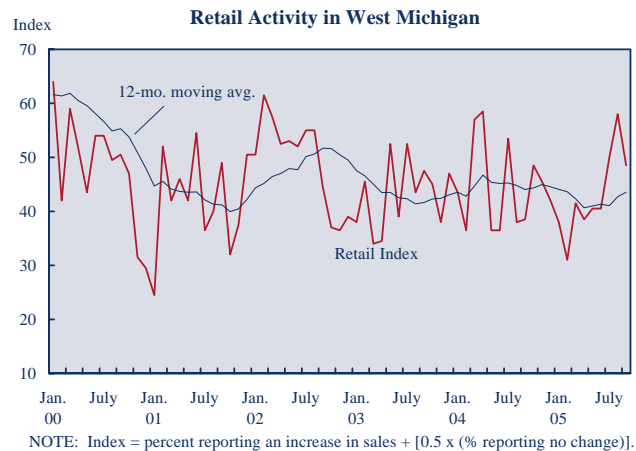
Moreover, recent downsizing reports are not limited to automotive concerns. Pfizer in Kalamazoo is in the process of reducing its workforce by approximately 500 workers, and Electrolux is on schedule to close its Greenville plant, which formerly employed 2,700 workers, in March 2006.

Fortunately, not all west Michigan manufacturing trends are negative; the region's office furniture industry continues to improve. Michael A. Dunlap & Associates' most recent quarterly survey of the region's office furniture industry found that the industry continues to expand moderately. The October industry index calculated from the survey results stood at 56.9, compared to 56.2 last October. Steelcase reported its fifth consecutive quarter of positive earnings; sales increased by 8 percent and profits rose 9 cents a share during the second quarter. Herman Miller reported its best earnings-per-share profit since 2001. Profits at the office furniture company increased 66 percent, or 34 cents a share, during the quarter ending on September 3. The Business and Institutional Furniture Manufacturer's Association (BIFMA) is now estimating that furniture shipments will reach just below \$10 billion in 2005. For 2006, BIFMA is looking for industry shipments to grow by 6.6 percent to \$10.65 billion.

Employment in the region's private service-providing sector rose a scant 0.1 percent during the quarter. The region's education and health services, professional and business services, financial activities, wholesale trade, and transportation

sectors added jobs, while retail trade and leisure and hospitality witnessed the largest declines.

The employment decline in the region's retail sector, a loss of 720 jobs, is likely a product of two things: 1) the industry's ongoing restructuring caused by the entry of numerous Wal-Mart outlets into the region, and 2) the region's overall sluggish employment growth. The monthly survey of retailers conducted by the Federal Reserve Bank of Chicago in association with the Michigan Retailers Association shows continued flat conditions for west Michigan. D&W Food Centers announced that it is cutting 150 jobs to remain competitive. At the same time, Spartan Stores Inc. reported flat second-quarter sales and earnings. Finally, Meijer Inc. and its unionized workers agreed to a less generous health care plan.



Retail employment was also hurt by the disappointing performance of the region's leisure and hospitality sector. Despite a warm summer, the sector lost 470 jobs during the quarter and employed slightly fewer workers than in the previous summer.

The third-quarter readings of the region's economic indicators were mixed. Its composite Index of Help-Wanted Advertising fell by 12.2 percent, indicating that employment conditions in its service-providing sector will remain sluggish in the coming months. Still, the number of new claims for unemployment insurance fell by 7 percent.



**West Michigan (6 MSAs) Statistics**  
(seasonally adjusted)

Measure	2005 Q3	2005 Q2	% change, Q2 to Q3	2004 Q3	% change, Q3 to Q3
<b>Employment (by place of work)</b>					
Total nonfarm employment	831,660	836,860	-0.6	835,290	-0.4
Goods-producing	213,540	216,650	-1.4	218,970	-2.5
Construction and mining	38,600	39,230	-1.6	39,430	-2.1
Manufacturing	174,970	177,440	-1.4	179,530	-2.5
Durable goods (5 MSAs) <sup>a</sup>	112,520	114,210	-1.5	115,380	-2.5
Nondurable goods (5 MSAs) <sup>a</sup>	48,080	48,660	-1.2	49,110	-2.1
Private service-providing	516,160	515,880	0.1	513,220	0.6
Transportation and utilities	21,490	21,170	1.5	21,450	0.2
Wholesale trade	34,510	34,390	0.3	33,680	2.5
Retail trade	97,040	97,760	-0.7	98,070	-1.1
Information (5 MSAs) <sup>a</sup>	9,770	9,780	-0.1	10,060	-2.9
Financial activities	38,390	38,240	0.4	37,660	1.9
Professional and business services	94,120	93,270	0.9	92,830	1.4
Educational and health services	111,750	111,150	0.5	108,840	2.7
Leisure and hospitality	73,570	74,040	-0.6	73,390	0.2
Other services	35,520	35,770	-0.7	36,270	-2.1
Government	101,960	104,330	-2.3	103,130	-1.1
<b>Unemployment</b>					
Number unemployed	56,110	58,060	-3.4	62,760	-10.6
Unemployment rate (%)	5.9	6.0		6.6	
<b>Local indexes</b>					
Help-wanted ads (4 MSAs) (1996=100) <sup>b</sup>	36	41	-12.2	43	-16.3
UI initial claims	2,130	2,291	-7.0	2,471	-13.8
New dwelling units <sup>c</sup>	7,908	8,030	-1.5	8,157	-3.1

NOTE: Categories may not sum to total due to rounding.

<sup>a</sup> Niles-Benton Harbor MSA data not available.

<sup>b</sup> Niles-Benton Harbor MSA and Holland-Grand Haven MSA data not available.

<sup>c</sup> Seasonally adjusted annual rates. Van Buren County is not included.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F. W. Dodge Division, McGraw Information Systems Company; ad count from four major daily newspapers; and employment data from the Michigan Department of Labor and Economic Growth.

### Business Reports from Rural West Michigan

Business reports from the rural counties of west Michigan were mostly negative during the third quarter.

In a move that disappointed many community leaders as well as economic developers, the Michigan Department of Transportation (MDOT) decided not to improve U.S. 131 to a limited access freeway in St. Joseph County. The decision came after years of study and was based in large part on an MDOT forecast that demand would not grow sufficiently to warrant the road improvement.

In Greenville, north of Grand Rapids, Electrolux eliminated 840 jobs in October as the doors of its last side-by-side refrigerator were attached. Currently, the plant, which once employed 2,700 workers, has 1,100 workers and is on track to close in March of next year.

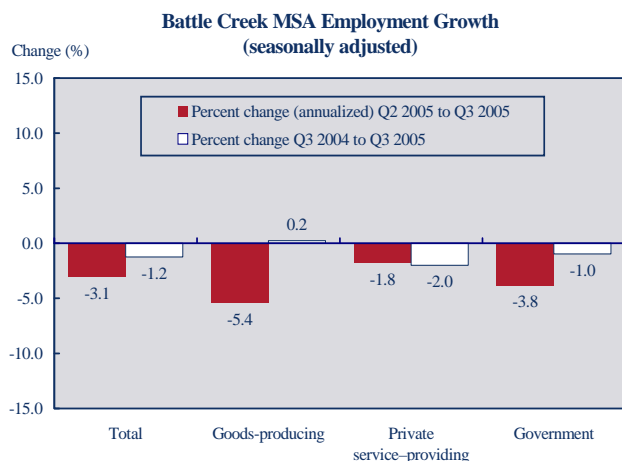
Hastings Manufacturing in Barry County filed for bankruptcy in large part because of its inability to meet its pension obligations. The piston ring producer employs 250 workers but has 400 retirees. The federal Pension Benefit Guaranty Corporation is expected to pick up the pension obligation as part of the company's restructuring. No layoffs are being planned, and a potential buyer for the troubled piston ring manufacturer has been found.



# BATTLE CREEK MSA

*Total employment declined by 0.8 percent in the Battle Creek MSA—Calhoun County—during the third quarter. Despite the fact that the county lost nearly 500 jobs, its unemployment rate slipped from 6.7 percent to 6.2 percent in the quarter. The county's economic indicators were mixed, suggesting that current lackluster employment conditions may hold into the first months of 2006.*

Employment in the county's goods-producing sector fell by 1.4 percent during the third quarter, a loss of 230 jobs. Driven in part by an 8.9 percent decline in the number of dwelling units put under contract for construction, employment in the county's construction industry fell by 3.5 percent. Manufacturing employment fell by 1.0 percent as both the area's durable goods and its nondurable goods producers eliminated jobs.



Countering statewide trends, employment in the county's transportation equipment industry rose by 0.6 percent during the past year. The county's major auto suppliers—Denso, I.I. Stanley, and TRMI—are suppliers to Toyota and other Japanese auto manufacturers, which continue to gain market share.

Unfortunately, recent business reports are not positive. Employment reductions appear to be likely at Lotte USA, a Japanese-owned chewing gum and snack manufacturer, as it discontinues its manufacturing operation and focuses instead on importing its products into the area. The company currently employs 50 workers. In addition, Eaton announced that it may move production out of Marshall to Nebraska, eliminating 117 jobs.

However, not all the news is bad. In Albion, Anderson's Inc., based in Maumee, Ohio, is constructing a 55-million-gallon ethanol works. The \$86 million plant is scheduled for completion in September 2006 and will employ approximately 30 workers and, equally important, provide a new

market for the area's corn growers.

Employment in the county's service-providing sector fell 0.4 percent during the quarter. Still, the county broke from the pack in that its retailers added nearly 100 workers during the quarter. Employment gains also were reported in the county's wholesale trade and education and health services sectors. Still, employment in its professional and business services and leisure and hospitality sectors turned negative during the quarter. Government employment declined by 1.0 percent.

Despite the drop in employment, the county's unemployment rate fell to 6.2 percent as the number of unemployed workers declined by 8.2 percent. While the drop in the area's unemployment rate is positive and could reflect the success of county residents in finding jobs outside the county, it is equally likely that the unemployment drop is due to some job seekers simply giving up on their job search and dropping out of the labor force.

The area's economic indicators were mixed in the third quarter, suggesting that its current employment conditions will not change in the coming months. Its Index of Help-Wanted Advertising remained unchanged during the quarter, which indicates little change in employment in its service-providing sector. The number of new claims for unemployment insurance fell sharply by 17 percent; however, as mentioned previously, the number of new dwelling units put under contract for construction also fell.

**Battle Creek MSA**  
(seasonally adjusted)

Measure	2005 Q3	2005 Q2	% change, Q2 to Q3	2004 Q3	% change, Q3 to Q3
<b>Employment (by place of work)</b>					
Total nonfarm employment	62,690	63,180	-0.8	63,480	-1.2
Goods-producing	16,520	16,750	-1.4	16,480	0.2
Construction and mining	2,220	2,300	-3.5	2,310	-3.9
Manufacturing	14,310	14,460	-1.0	14,170	1.0
Durable goods	9,200	9,260	-0.6	9,090	1.2
Nondurable goods	5,110	5,200	-1.7	5,070	0.8
Private service-providing <sup>a</sup>	35,910	36,070	-0.4	36,640	-2.0
Transportation and utilities	1,100	1,100	0.0	1,100	0.0
Wholesale trade	1,410	1,370	2.9	1,410	0.0
Retail trade	7,890	7,800	1.2	7,890	0.0
Financial activities	1,600	1,600	0.0	1,600	0.0
Professional and business services	6,250	6,360	-1.7	6,380	-2.0
Educational and health services	9,290	9,170	1.3	9,180	1.2
Leisure and hospitality	5,820	5,850	-0.5	5,570	4.5
Other services	2,510	2,490	0.8	2,510	0.0
Government <sup>b</sup>	10,260	10,360	-1.0	10,360	-1.0
Federal government	3,340	3,410	-2.1	3,380	-1.2
Local government	6,720	6,910	-2.7	6,830	-1.6
<b>Unemployment</b>					
Number unemployed	4,580	4,990	-8.2	4,790	-4.4
Unemployment rate (%)	6.2	6.7		6.5	
<b>Local indexes</b>					
Help-wanted ads (1996=100)	33	33	0.0	36	-8.3
UI initial claims	225	271	-17.0	207	8.7
New dwelling units <sup>c</sup>	277	304	-8.9	309	-10.4

NOTE: Categories may not sum to total due to rounding.

<sup>a</sup> Data for information services is included in the "other services" sector.

<sup>b</sup> Data for state government is not available.

<sup>c</sup> Seasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw-Hill Information Systems Company; and employment data from the Michigan Department of Labor and Economic Growth.

**Battle Creek MSA**  
**Industry Employment Change by Place of Work, Third Quarter to Third Quarter**  
(not seasonally adjusted)

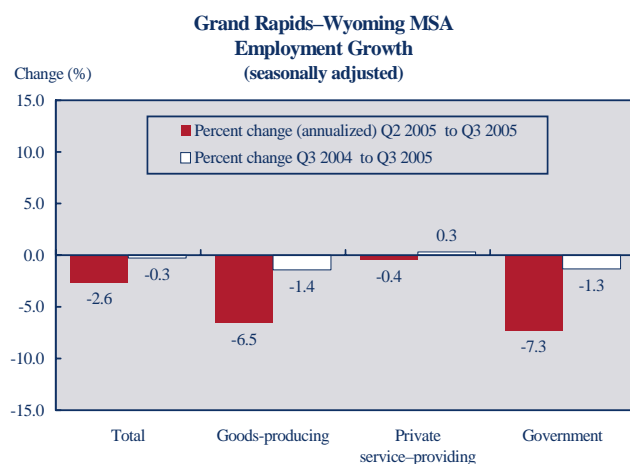
Industry	2005 Q3	2004 Q3	Percent change	Industry	2005 Q3	2004 Q3	Percent change
<b>Goods-producing</b>	16,700	16,670	0.2	<b>Government</b>	9,630	9,730	-1.0
Transportation equipment	5,870	5,830	0.6	Local govt. education svcs.	3,730	3,730	0.0
<b>Private service-providing</b>	26,600	27,230	-2.3				
Accommodations & food svcs.	4,330	4,230	2.4				
Admin. support & waste mgmt.	4,930	4,900	0.7				

SOURCE: Michigan Department of Labor and Economic Development.

# GRAND RAPIDS–WYOMING MSA

*Total employment fell by 0.7 percent in the third quarter. Employment declines were reported across the board. Still, the area's unemployment rate remained steady and even slipped below 6 percent. The area's economic indicators were mixed during the quarter, suggesting that little change can be expected in the area's employment situation during the first several months of 2006.*

Employment in the area's goods-producing sector fell by 1.7 percent during the third quarter, a loss of 1,570 jobs. Employment in the area's construction industry fell by 2.3 percent even though the number of new housing starts rose by 3.3 percent.



The area's manufacturers eliminated more than 1,100 jobs during the quarter, a decline of 1.5 percent. During the past year, the area's two core manufacturing activities, auto suppliers and office furniture makers, both lost ground. Auto suppliers cut more than 800 workers from their payrolls, while the area's office furniture manufacturers trimmed their workforce by more than 500 workers.

The area's auto industry was hit with two major plant closings. Meridian Automotive Systems announced that the lack of business is forcing it to close one of its three Kentwood plants, eliminating 340 jobs. The company filed for Chapter 11 bankruptcy in April. The company will still employ approximately 650 workers in the area after the closing. Second, Lear Corporation is scheduled to shut down its Alpine plant in December, eliminating its remaining 216 employees, who have agreed to the company's severance package.

Not all the news is bad from the area's auto suppliers, however. Lacks Enterprises plans to add 65 workers to its current workforce of 115 at its new plant, which opened in September.

Of course, the potential impact of Delphi's bankruptcy hangs over the area, as Coopersville and Wyoming wait for word on the fate of their plants which, combined, employ

1,400 workers. Preliminary reports suggest the two plants have a good chance of being spared. In fact an internal company document leaked to the press reveals that Delphi Corporation plans to keep the two plants.

In Barry County, Hastings Manufacturing, which filed for Chapter 11 bankruptcy in September citing high pension costs and its failed acquisition by a Canadian company, could come out of bankruptcy in December. The company employs 250 workers, and at this point no layoffs are being planned. In addition, a potential buyer for the troubled piston ring manufacturer has been found.

In other business news, Siemens had recently signed a \$540 million contract (the company's largest) with the U.S. Postal Service and recalled or hired 200 workers, pushing its workforce up to 300; however, the company now has announced that it could close the facility in 2006. The announcement says the firm will consolidate its U.S. Postal Service automation work at its new headquarters and manufacturing center in Arlington, Texas, where employees, on average, earn \$10 an hour less than employees in Michigan.

On a positive note, Kellogg announced that it plans to spend nearly \$5.6 million on the closed Holland American Wafer Company plant. The plant was closed in June. The company said that it could hire as many as 244 workers at the reopened plant. Kellogg is adding 35 workers at its existing Keebler plant as well. In addition, Grand Rapids Sash and Door announced that it is consolidating its four Midwestern operations into the area, which will create 115 jobs.

Employment in the area's private service-providing sector fell by 0.1 percent during the quarter, and government employment was down by 1.9 percent. Much of the decline in the area's service-providing employment may be from the negative spin-off effects of employment reductions in its manufacturing sector. Employment in retail trade fell by 0.4 percent, and wholesale trade was off by 0.5 percent. Both are strongly tied to the declining purchasing power of the area's manufacturing workforce. Employment also declined by 0.8 percent in education and health services. On the positive side, employment in the area's professional and business services rose by 1.2 percent. Such gains are important as the area makes the transition to a knowledge-based economy.

The area's unemployment rate inched down to 5.9 percent, and the third-quarter readings of its economic indicators suggest that current employment conditions will hold firm in the coming months. Its Index of Help-Wanted Advertising remained unchanged. Still, new claims for unemployment insurance fell, and the November polling of area purchasing managers suggests improving conditions. Manpower reports that 22 percent of the companies it surveyed said that they would be hiring during the final quarter of the year. Only 3.0 percent admitted that they expected to eliminate some jobs.

**Grand Rapids–Wyoming MSA**  
(seasonally adjusted)

Measure	2005 Q3	2005 Q2	% change, Q2 to Q3	2004 Q3	% change, Q3 to Q3
<b>Employment (by place of work)</b>					
Total nonfarm employment	383,170	385,720	-0.7	384,200	-0.3
Goods-producing	92,120	93,690	-1.7	93,450	-1.4
Construction and mining	18,900	19,350	-2.3	19,400	-2.6
Manufacturing	73,220	74,340	-1.5	74,050	-1.1
Durable goods	51,100	52,000	-1.7	51,930	-1.6
Nondurable goods	22,130	22,330	-0.9	22,120	0.0
Private service–providing	253,800	254,070	-0.1	253,010	0.3
Transportation and utilities	10,060	9,860	2.0	10,230	-1.7
Wholesale trade	20,770	20,880	-0.5	20,110	3.3
Retail trade	43,080	43,270	-0.4	43,440	-0.8
Information	5,650	5,690	-0.7	5,780	-2.2
Financial activities	21,340	21,300	0.2	20,970	1.8
Professional and business services	52,490	51,870	1.2	52,770	-0.5
Educational and health services	52,150	52,570	-0.8	50,630	3.0
Leisure and hospitality	31,480	31,810	-1.0	32,000	-1.6
Other services	16,780	16,830	-0.3	17,090	-1.8
Government	37,250	37,960	-1.9	37,750	-1.3
Federal government	3,360	3,290	2.1	3,390	-0.9
State government	4,360	4,250	2.6	3,980	9.5
Local government	29,530	30,420	-2.9	30,380	-2.8
<b>Unemployment</b>					
Number unemployed	23,700	24,410	-2.9	27,050	-12.4
Unemployment rate (%)	5.9	6.0		6.8	
<b>Local indexes</b>					
Help-wanted ads (1996=100)	33	33	0.0	36	-8.3
UI initial claims	802	852	-5.9	1,012	-20.8
New dwelling units <sup>a</sup>	3,508	3,397	3.3	3,153	11.3

NOTE: Categories may not sum to total due to rounding.

<sup>a</sup> Seasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw-Hill Information Systems Company; and employment data from the Michigan Department of Labor and Economic Growth.

**Grand Rapids–Wyoming MSA**  
**Industry Employment Change by Place of Work, Third Quarter to Third Quarter**  
(not seasonally adjusted)

Industry	2005 Q3	2004 Q3	Percent change	Industry	2005 Q3	2004 Q3	Percent change
<b>Goods-producing</b>	92,970	94,330	-1.4	Professional, scientific, tech. svcs.	14,570	14,630	-0.5
Transportation equipment	15,200	15,830	-4.0	Mgmt. of co's & enterprises	6,870	6,600	4.0
Motor vehicle parts	11,970	12,800	-6.5	Admin. support & waste mgmt.	32,330	32,800	-1.4
Furniture & related products	6,370	7,500	-15.1	Employment services	21,770	21,930	-0.8
Office furniture	5,970	6,530	-8.7	Educational services	7,870	8,000	-1.7
Food	5,600	5,470	2.4	Elem. & secondary schools	3,570	3,570	0.0
Chemical	4,030	4,100	-1.6	Health care & social assistance	43,070	41,470	3.9
Plastics & rubber	7,330	6,970	5.3	Ambulatory health services	13,900	13,330	4.2
<b>Private service–providing</b>	254,130	253,370	0.3	Hospitals	18,000	17,030	5.7
General merchandise stores	8,930	9,830	-9.2	Accommodations & food svcs.	26,870	27,430	-2.1
Department stores	4,600	4,930	-6.8	<b>Government</b>	33,600	34,030	-1.3
Finance & insurance	16,530	16,870	-2.0	Local govt. educational svcs.	16,230	16,730	-3.0

SOURCE: Michigan Department of Labor and Economic Growth.

# HOLLAND-GRAND HAVEN MSA

*Employment in Ottawa County fell by 1.3 percent during the third quarter. Employment declines in the county's goods-producing sector offset gains in its private service-providing sector. In addition, government employment fell by 7.4 percent during the quarter, largely erasing a surprising 8.2 percent jump in employment recorded in the previous quarter. Despite the loss of 1,500 jobs, the county's unemployment rate inched down to 5.0 percent during the quarter.*

Employment in the area's goods-producing sector fell by 2.1 percent, a loss of 900 jobs, during the third quarter. Despite an 18.4 percent drop in the number of new housing units put under contract for construction, employment in the area's construction industry remained stable.

Manufacturing employment fell by 2.5 percent during the third quarter and by 7.3 percent during the past four quarters, a loss of more than 2,700 jobs. The area's two major manufacturing core activities continue to shed workers. Despite promising reports about the industry's turnaround, employ-

million, a 15 percent increase from the same quarter last year. The company reported that shipments in North America increased by 14 percent, largely because of business with foreign-owned automakers operating in the United States.

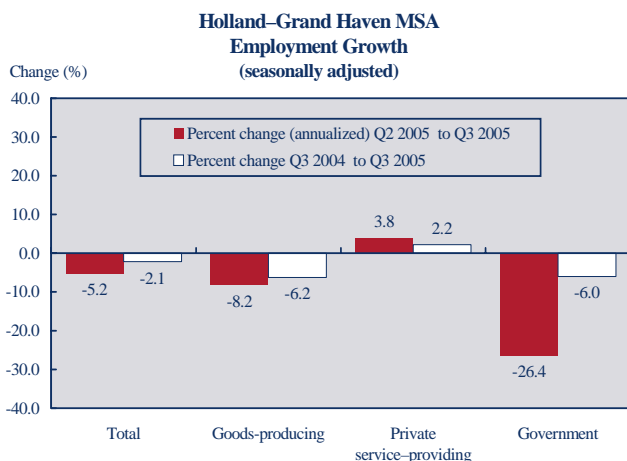
Several manufacturers reported employment gains or revealed hiring plans during the third quarter. Leprino Foods announced that it plans to create another 50 jobs through an \$83 million expansion. The company manufactures cheese for national pizza chains, and its planned expansion creates market opportunities for the region's dairy farmers. Mahle Incorporated, an automotive parts manufacturer, announced it will add 15 jobs. In addition, Big Dutchman, a poultry equipment manufacturer, is moving manufacturing operations from Kentucky, bringing 32 jobs to the county. TRIC Tool Ltd., a locally owned tool manufacturing company, is adding 10 new jobs, as is Agritek Industries, a manufacturer of engineered metal components. Finally, Request Foods could add up to 30 jobs.

Employment in the area's service-providing sector grew by a healthy 0.9 percent during the quarter. With the exceptions of retail trade, information, and other services, employment gains were reported across the board. The 1.6 percent decline in retail jobs can, in part, be attributed to the spin-off impact of the area's sagging manufacturing sector. Not surprisingly, the abnormally hot summer generated a 1.6 percent increase in employment in the area's leisure and hospitality sector as families took to the beaches. But the quarter's job gains were not limited to tourism: employment in education and health rose by 3.0 percent, and professional and business services employment rose by 1.2 percent.

Government employment plunged by 7.4 percent during the quarter, which offset an unexplainable 8.3 percent increase recorded in the previous quarter. It is likely that this dramatic variation in the area's government sector, which is not shared by the other areas in west Michigan, is more associated with measurement error than with real changes in employment.

In spite of the decline in employment, the county's unemployment rate dropped to 5.0 percent, and the number of unemployed individuals fell by 5.5 percent. While it is possible that some of the decline in the area's unemployed is due to workers finding jobs outside the county, it is more likely that some have simply dropped out of the labor market because they have been unable to find work.

The economic indicators for the county were mixed during the quarter, suggesting that current employment conditions may not change during the coming months. The number of new housing starts fell during the quarter, but the number of new claims for unemployment insurance also fell, by 17.2 percent. Finally, the third quarter polling of employers by Manpower found that 23 percent of the surveyed firms plan to hire in the fourth quarter, the same percentage as last year.



ment in the county's office furniture industry fell by 4.2 percent during the past four quarters. Michael Dunlap, an industry analyst, reports that although his quarterly survey has not indicated any major change in the industry's outlook during the past several quarters, his personal contacts with area firms suggest that they are "going full-bore."

It is reported that at Haworth more overtime hours are being logged. In fact, since March 2004 the office furniture company has hired 500 workers, some of them to replace retiring workers. BIFMA expects industry shipments for 2005 to rise by 11.8 percent—a big increase over 2004, when they rose by 4.5 percent.

The area's auto suppliers, its second core activity, have cut their workforce by 4.3 percent during the past four quarters. Still, the county houses one of the state's leading auto suppliers: Gentex Corporation continues to generate profits in a highly competitive market; the automobile mirror manufacturer announced record third-quarter sales of \$138.1



**Holland–Grand Haven MSA**  
(seasonally adjusted)

Measure	2005 Q3	2005 Q2	% change, Q2 to Q3	2004 Q3	% change, Q3 to Q3
<b>Employment (by place of work)</b>					
Total nonfarm employment	111,600	113,100	-1.3	114,050	-2.1
Goods-producing	41,550	42,450	-2.1	44,310	-6.2
Construction and mining	6,390	6,390	0.0	6,360	0.5
Manufacturing	35,160	36,070	-2.5	37,940	-7.3
Durable goods	27,450	28,130	-2.4	29,750	-7.7
Nondurable goods	7,710	7,940	-2.9	8,200	-6.0
Private service-providing	55,970	55,450	0.9	54,760	2.2
Transportation and utilities	2,800	2,780	0.7	2,770	1.1
Wholesale trade	3,980	3,910	1.8	4,010	-0.7
Retail trade	10,120	10,280	-1.6	10,650	-5.0
Information	1,000	1,000	0.0	1,000	0.0
Financial activities	3,410	3,340	2.1	3,350	1.8
Professional and business services	12,220	12,080	1.2	10,500	16.4
Educational and health services	9,980	9,690	3.0	10,080	-1.0
Leisure and hospitality	8,040	7,910	1.6	7,830	2.7
Other services	4,420	4,460	-0.9	4,580	-3.5
Government <sup>a</sup>	14,080	15,200	-7.4	14,980	-6.0
<b>Unemployment</b>					
Number unemployed	6,750	7,140	-5.5	7,370	-8.4
Unemployment rate (%)	5.0	5.2		5.5	
<b>Local indexes</b>					
UI initial claims	289	349	-17.2	320	-9.7
New dwelling units <sup>b</sup>	1,401	1,716	-18.4	1,905	-26.5

NOTE: Categories may not sum to total due to rounding.

<sup>a</sup> Data for Federal government is not available.

<sup>b</sup> Seasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw-Hill Information Systems Company; and employment data from the Michigan Department of Labor and Economic Growth.

**Holland–Grand Haven MSA**  
**Industry Employment Change by Place of Work, Third Quarter to Third Quarter**  
(not seasonally adjusted)

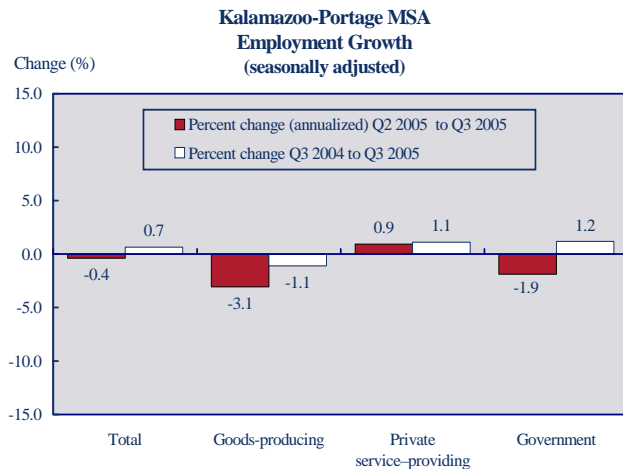
Industry	2005 Q3	2004 Q3	Percent change	Industry	2005 Q3	2004 Q3	Percent change
<b>Goods-producing</b>	42,200	44,970	-6.2	<b>Government</b>	12,730	13,500	-5.7
Transportation equipment	7,500	7,830	-4.3	Local govt. education svcs.	5,170	4,770	8.4
Furniture & related products	5,830	6,230	-6.4				
Office furniture & fixtures	5,270	5,500	-4.2				
<b>Private service-providing</b>	56,730	55,470	2.3				
Accommodations & food svcs.	7,300	6,970	4.8				
Food svcs. & drinking places	6,900	6,570	5.1				

SOURCE: Michigan Department of Labor and Economic Development.



# KALAMAZOO-PORTAGE MSA

Total employment remained relatively unchanged during the third quarter, inching down only 0.1 percent in Kalamazoo and Van Buren counties. Employment gains in the area's service-providing sector nearly offset declines in its goods-producing and government sectors. The area's unemployment rate also remained relatively stable. The third-quarter readings of the area's economic indicators were mixed, suggesting little change in the area's employment situation during the first couple of months of 2006.



Employment in the area's goods-producing sector fell by 0.8 percent during the third quarter. Employment in the area's construction sector declined by 1.4 percent despite a 5.2 percent increase in the number of dwelling units put under contract for construction. In addition, the construction of a new parking garage and multiplex movie theater is underway in downtown Kalamazoo. Moreover, a new project has been unveiled for the Kalamazoo downtown that will include commercial, retail, and residential development, plus another 600-space parking ramp.

Manufacturing employment fell by 0.6 percent, a loss of 140 jobs, during the quarter. During the past four quarters, employment in the area's manufacturing sector fell by 0.6 percent, and a large percentage of the decline can be attributed to layoffs in its transportation equipment sector. Clarion Technologies, an automotive injection molding company in South Haven, closed its plant, which once employed 150 workers.

Although Georgia-Pacific Corporation announced that it will cut more than 1,000 jobs from its worldwide operations, preliminary reports suggest that its Dixie Epic Plant in Parchment, which makes food-wrap products and employs about 200 workers, will be spared. Moreover, Dana Corporation announced that 5.0 percent of salaried employees would be laid off over the next year. Dana will be closing two U.S. plants and selling some of its operations to cut costs. This is not expected to affect Kalamazoo operations. Finally, Pfizer Inc., the county's largest employer, is still struggling. Third-quarter earnings for the pharmaceutical giant fell by 52

percent, in part because of sluggish revenue growth. Pfizer is moving forward with its previously announced reduction of 500 workers in Kalamazoo County.

Employment in the area's private service-providing sector increased by 0.2 percent during the quarter. Employment gains in wholesale trade, financial services, professional and business services, and education and health services offset declines in retail trade. In the area's financial community, Keystone Community Bank has been purchased by Firstbank Corporation, a Michigan bank holding company based in Alma. Keystone will continue to operate as a separately chartered community bank. Despite the summer being one of the hottest on record, employment in the area's leisure and hospitality sector inched up only slightly. Government employment fell by 0.5 percent during the quarter.

A recent labor force study conducted by the Pathfinders, a Dallas-based employment research agency, and sponsored by Southwest Michigan First, characterized the area workers' strengths as being in six categories: 1) logistics and distribution; 2) financial services; 3) back office operations, such as call centers; 4) advanced manufacturing; 5) medical sciences; and 6) life sciences. The study found that there are approximately 34,600 underemployed workers who would take better-paying jobs if offered them. In addition, the study found that the median pay rate of these underemployed workers is \$14.47 per hour, and their median desired pay is \$15.05 per hour, a 4 percent difference.

The area's economic indicators were slightly negative during the quarter, suggesting that the area's lackluster employment situation could continue into the first months of 2006. The area's Index of Help-Wanted Advertising fell by 8.5 percent, a sign that employment conditions in the area's service-providing sector may weaken. In addition, the number of new claims for unemployment insurance increased by 5.6 percent. Manpower's third-quarter survey of 30 local companies found that 27 percent are planning to hire workers in the fourth quarter. This is down from the 32 percent recorded in the same quarter last year. In contrast, the November polling of the area's purchasing managers found them to be more upbeat, with orders improving.

Introduced in November, the Kalamazoo Promise, funded by a group of anonymous local donors, offers free tuition to any public Michigan university for Kalamazoo Public School graduates who have been enrolled in the district since kindergarten. It funds tuition on a sliding scale for graduates who entered the district after kindergarten, from 95 percent for first grade down to 65 percent for a KPS graduate who has attended the district since ninth grade. While the Kalamazoo Promise, which gained national attention when it was announced, is not expected to create any jobs in the short run, it has the potential to substantially change the attractiveness and culture of the community.

**Kalamazoo-Portage MSA**  
(seasonally adjusted)

Measure	2005 Q3	2005 Q2	% change, Q2 to Q3	2004 Q3	% change, Q3 to Q3
<b>Employment (by place of work)</b>					
Total nonfarm employment	144,560	144,700	-0.1	143,620	0.7
Goods-producing	30,710	30,950	-0.8	31,050	-1.1
Construction and mining	6,320	6,410	-1.4	6,500	-2.8
Manufacturing	24,400	24,540	-0.6	24,550	-0.6
Durable goods	12,560	12,550	0.1	12,770	-1.6
Nondurable goods	11,840	11,990	-1.3	11,780	0.5
Private service-providing	90,750	90,540	0.2	89,750	1.1
Transportation and utilities	3,890	3,860	0.8	3,850	1.0
Wholesale trade	4,390	4,240	3.5	4,250	3.3
Retail trade	17,490	17,700	-1.2	17,430	0.3
Information	1,400	1,390	0.7	1,430	-2.1
Financial activities	7,890	7,810	1.0	7,590	4.0
Professional and business services	14,320	14,180	1.0	14,280	0.3
Educational and health services	20,060	20,000	0.3	19,780	1.4
Leisure and hospitality	14,730	14,720	0.1	14,440	2.0
Other services	6,600	6,640	-0.6	6,710	-1.6
Government	23,100	23,210	-0.5	22,830	1.2
Federal	1,240	1,240	0.0	1,310	-5.3
State	6,790	6,630	2.4	6,680	1.6
Local	15,070	15,340	-1.8	14,840	1.5
<b>Unemployment</b>					
Number unemployed	9,620	9,810	-1.9	10,680	-9.9
Unemployment rate (%)	5.5	5.6		6.2	
<b>Local indexes</b>					
Help-wanted ads (1996=100)	43	47	-8.5	46	-6.5
UI initial claims	263	249	5.6	265	-0.8
New dwelling units <sup>a</sup>	1,493	1,419	5.2	1,213	23.1

NOTE: Categories may not sum to total due to rounding.

<sup>a</sup> Seasonally adjusted annual rates; does not include Van Buren County.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw-Hill Information Systems Company; and employment data from the Michigan Department of Labor and Economic Growth.

**Kalamazoo-Portage MSA**  
**Industry Employment Change by Place of Work, Third Quarter to Third Quarter**  
(not seasonally adjusted)

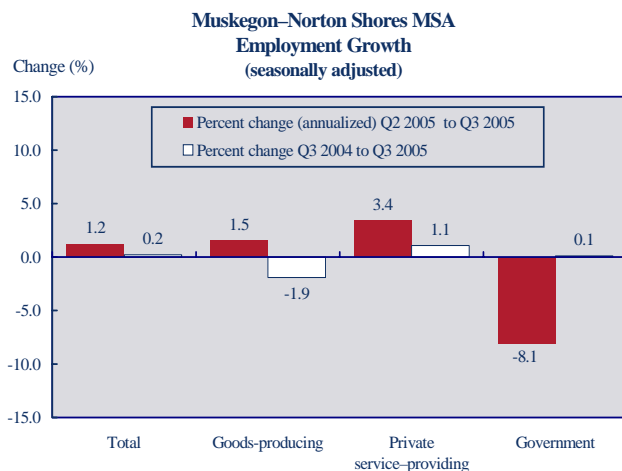
Industry	2005 Q3	2004 Q3	Percent change	Industry	2005 Q3	2004 Q3	Percent change
<b>Goods-producing</b>	31,130	31,470	-1.1	Health care & social assistance	17,670	17,600	0.4
Transportation equipment	3,900	4,000	-2.5	Accommodations & food svcs.	12,833	12,800	0.3
<b>Private service-providing</b>	91,200	90,200	1.1	Food svcs. & drinking places	11,067	11,133	-0.6
General merchandise stores	4,570	4,830	-5.5				
Finance & insurance	5,600	5,400	3.7	<b>Government</b>	21,033	20,800	1.1
Admin. support & waste mgmt.	8,330	8,930	-6.7	State govt. education svcs.	5,367	5,167	3.9
Employment services	4,900	5,230	-6.4	Local govt. education svcs.	8,233	8,133	1.2

SOURCE: Michigan Department of Labor and Economic Growth.

# MUSKEGON–NORTON SHORES MSA

Total employment rose by 0.3 percent in Muskegon County during the third quarter, making it the only MSA in west Michigan to report a job gain for the quarter. Moreover, the area's third-quarter gain of 200 jobs was due to an uptick in employment in its goods-producing sector. The county's unemployment rate dipped from 7.6 percent a year ago to 6.7 percent. Unfortunately, the area's economic indicators were down for the quarter, suggesting that the area's employment conditions will soften during the first several months of 2006.

Employment in the county's goods-producing sector was up by 0.4 percent during the quarter. Construction employment rose by 1.2 percent even though residential construction activity was relatively unchanged for the quarter.



Manufacturing employment in the county increased by 0.2 percent during the third quarter. Although an increase of 30 jobs does not sound very impressive, it must be remembered that the state lost more than 11,000 manufacturing jobs during the same period. What makes Muskegon even more unusual is the fact that its transportation equipment industry, which includes aerospace manufacturers, increased its employment by 11.4 percent during the past four quarters.

Johnson Technologies, a manufacturer of parts for jet engines, announced that it will be hiring another 55 workers by June of 2006. It currently employs about 480 workers at two local plants. Howmet, the county's largest employer, has also been hiring additional workers. Johnson Technologies and Howmet are the leaders in the county's aerospace industrial cluster, which has performed very well in the past several years. On the other hand, Dana Corporation, an auto supplier, is in the process of cutting 240 jobs.

Employment in the county's service-providing sector increased by a healthy 0.8 percent during the quarter. Employment gains were recorded in transportation and utilities, professional and business services, educational and health services, information, and leisure and hospitality. The

county's educational (private) and health services sector added nearly 500 workers during the quarter. Michigan Adventure Amusement Park had its best summer ever this year as attendance at the park rose to 550,000 visitors, an 18 percent increase. The amusement park will likely attract more visitors next year, when it opens its new \$6 million water ride, "the Grand Rapids."

Government employment fell by 2.1 percent during the quarter, which erased the 1.5 percent increase the sector had recorded during the previous quarter.

The county's unemployment rate slid down to 6.7 percent during the quarter, in large part because of its employment gains.

Unfortunately, the area's economic indicators suggest that employment conditions may soften in the coming months. All three of the area's indicators deteriorated during the quarter. Its Index of Help-Wanted Advertising declined by 7.1 percent, the number of new claims for unemployment insurance rose by a modest 0.3 percent, and the number of housing starts fell slightly. On the other hand, Manpower's third-quarter survey of employers found that a higher percentage of those surveyed, 40 percent—the second highest reading in the state—were planning to hire workers in the current quarter. In the same period last year, only 29 percent said that they planned to hire.

Finally, the area's economic development community has identified potential targets for its efforts to attract firms. Moreover, the targets highlight the county's goal to make a long-term shift from manufacturing to a knowledge-based economy. Immediate prospects for building on the county's manufacturing strengths include industrial robotics and automation, medical equipment, food processing, and marine-transportation-related manufacturing. More-long-range prospects which focus on knowledge-based activities include design firms, architectural and engineering firms, art suppliers, environmental firms, and alternative-energy technology firms, and software and Internet development firms.

**Muskegon–Norton Shores MSA**  
(seasonally adjusted)

Measure	2005 Q3	2005 Q2	% change, Q2 to Q3	2004 Q3	% change, Q3 to Q3
<b>Employment (by place of work)</b>					
Total nonfarm employment	66,400	66,200	0.3	66,260	0.2
Goods-producing	15,980	15,920	0.4	16,290	-1.9
Construction and mining	2,480	2,450	1.2	2,510	-1.2
Manufacturing	13,500	13,470	0.2	13,780	-2.0
Durable goods	12,210	12,270	-0.5	11,840	3.1
Nondurable goods	1,290	1,200	7.5	1,940	-33.5
Private service-providing	41,050	40,710	0.8	40,610	1.1
Transportation and utilities	1,380	1,340	3.0	1,310	5.3
Wholesale trade	1,380	1,400	-1.4	1,380	0.0
Retail trade	10,700	10,830	-1.2	10,970	-2.5
Information	920	890	3.4	950	-3.2
Financial activities	1,870	1,900	-1.6	1,870	0.0
Professional and business services	4,130	4,070	1.5	4,130	0.0
Educational and health services	10,630	10,140	4.8	10,020	6.1
Leisure and hospitality	7,630	7,570	0.8	7,400	3.1
Other services	2,430	2,580	-5.8	2,590	-6.2
Government	9,370	9,570	-2.1	9,360	0.1
Federal	400	390	2.6	400	0.0
State	1,180	1,170	0.9	1,110	6.3
Local	7,800	8,010	-2.6	7,860	-0.8
<b>Unemployment</b>					
Number unemployed	6,080	6,210	-2.1	6,810	-10.7
Unemployment rate (%)	6.7	6.9		7.6	
<b>Local indexes</b>					
Help-wanted ads (1996=100)	39	42	-7.1	42	-7.1
UI initial claims	351	350	0.3	421	-16.6
New dwelling units <sup>a</sup>	637	654	-2.6	1,005	-36.6

NOTE: Categories may not sum to total due to rounding.

<sup>a</sup> Seasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw-Hill Information Systems Company; and employment data from the Michigan Department of Labor and Economic Growth.

**Muskegon–Norton Shores MSA**  
**Industry Employment Change by Place of Work, Third Quarter to Third Quarter**  
(not seasonally adjusted)

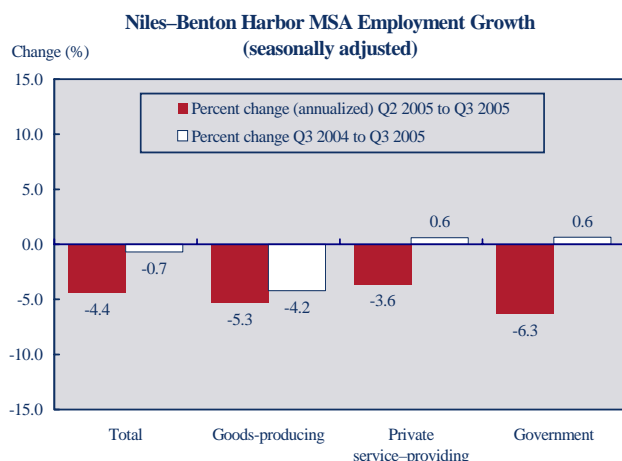
Industry	2005 Q3	2004 Q3	Percent change	Industry	2005 Q3	2004 Q3	Percent change
<b>Goods-producing</b>	16,100	16,430	-2.0	<b>Government</b>	8,500	8,500	0.0
Transportation equipment	1,630	1,470	11.4	Local govt. education svcs.	4,630	4,500	3.0
<b>Private service-providing</b>	42,170	41,700	1.1				
Accommodations & food svcs.	6,570	6,630	-1.0				
Food svcs. & drinking places	5,930	5,730	3.5				

SOURCE: Michigan Department of Labor and Economic Development.

# NILES–BENTON HARBOR MSA

Total employment in Berrien County fell by 1.1 percent, a loss of 720 jobs during the third quarter. Employment reductions were reported across all three major sectors of the area's economy. The loss of jobs in the third quarter did not affect the area's unemployment rate, however, as it stayed put at 6.9 percent during the quarter. The third-quarter readings of the county's limited number of economic indicators were mixed, suggesting little improvement in the area's employment situation.

Employment in the county's goods-producing sector fell by 1.4 percent, a loss of 230 jobs during the third quarter. Employment declines were reported in both its construction and its manufacturing sectors.



It is reported that Bosch continues to lay off workers as it reduces its workforce at its automotive brake and brake-component plant. The plant now employs slightly more than 800 workers, down from 1,100 workers in August. Another 200–300 jobs are expected to be cut by March of next year. On the positive side, Eagle Technologies will create approximately 40 jobs in Bridgman if the state approves the establishment of a tool and die recovery zone. Eagle designs and builds assembly, test, material-handling, and other equipment for manufacturers of various products including automotive, electronics, medical, and appliances.

Employment in the area's service-providing sector fell by 0.9 percent during the third quarter. The decline was due, in large part, to a 5.0 percent drop in employment in the county's leisure and hospitality sector, a loss of 310 jobs. The decline is surprising given that the summer season was unusually warm. The loss of manufacturing jobs and tourism activity pushed retail employment into negative territory as well. Government employment fell by 1.6 percent during the quarter.

The area's unemployment rate remained unchanged at 6.9 percent during the quarter.

Harbor Shores, a large residential, commercial, and recreational project, passed another mile marker as state officials approved a package of brownfield tax incentives for the \$500 million proposed project. The development is a collaborative venture among the municipalities of Benton Harbor, St. Joseph, and Benton Township; Whirlpool Corporation (based in Benton Harbor); and local civic and economic development groups. If the development proceeds as planned, 530 acres of abandoned and blighted industrial land will be transformed into a mix of new housing units, hotels, an indoor water park, a marina, retail businesses, and a Jack Nicklaus–designed golf course. About 55 percent of the land lies in Benton Harbor. Developers contend that Harbor Shores would bring 6,000 jobs to the area.

The third-quarter readings of the county's limited number of economic indicators were positive, suggesting that employment conditions could improve during the first several months of 2006. The number of new claims for unemployment insurance fell by 9.1 percent, while the number of new dwellings put under contract for construction rose by 9.6 percent.

**Niles–Benton Harbor MSA**

(seasonally adjusted)

Measure	2005 Q3	2005 Q2	% change, Q2 to Q3	2004 Q3	% change, Q3 to Q3
<b>Employment (by place of work)</b>					
Total nonfarm employment	63,240	63,960	-1.1	63,680	-0.7
Goods-producing	16,660	16,890	-1.4	17,390	-4.2
Construction and mining	2,290	2,330	-1.7	2,350	-2.6
Manufacturing	14,380	14,560	-1.2	15,040	-4.4
Durable goods (see table below)					
Nondurable goods (see table below)					
Private service–providing	38,680	39,040	-0.9	38,450	0.6
Transportation and utilities	2,260	2,230	1.3	2,190	3.2
Wholesale trade	2,580	2,590	-0.4	2,520	2.4
Retail trade	7,760	7,880	-1.5	7,690	0.9
Information	800	810	-1.2	900	-11.1
Financial activities	2,280	2,290	-0.4	2,280	0.0
Professional and business services	4,710	4,710	0.0	4,770	-1.3
Educational and health services	9,640	9,580	0.6	9,150	5.4
Leisure and hospitality	5,870	6,180	-5.0	6,150	-4.6
Other services	2,780	2,770	0.4	2,790	-0.4
Government	7,900	8,030	-1.6	7,850	0.6
<b>Unemployment</b>					
Number unemployed	5,380	5,490	-2.0	6,060	-11.2
Unemployment rate (%)	6.9	6.9		7.8	
<b>Local indexes</b>					
UI initial claims	200	220	-9.1	246	-18.7
New dwelling units <sup>a</sup>	592	540	9.6	572	3.5

NOTE: Categories may not sum to total due to rounding.

<sup>a</sup> Seasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw-Hill Information Systems Company; and employment data from Michigan Department of Labor and Economic Growth.

**Niles–Benton Harbor MSA**

**Industry Employment Change by Place of Work, Third Quarter to Third Quarter**

(not seasonally adjusted)

Industry	2005 Q3	2004 Q3	Percent change	Industry	2005 Q3	2004 Q3	Percent change
<b>Goods-producing</b>	16,800	17,530	-4.2	Accommodations & food svcs.	5,470	5,530	-1.2
Durable goods	11,300	12,100	-6.6				
Nondurable goods	3,030	2,900	4.6	<b>Government</b>	7,270	7,230	0.5
				Local govt. education svcs.	3,970	3,930	0.8
<b>Private service–providing</b>	31,870	31,670	0.6				
Health care & social assistance	7,300	7,100	2.8				

SOURCE: Michigan Department of Labor and Economic Development.



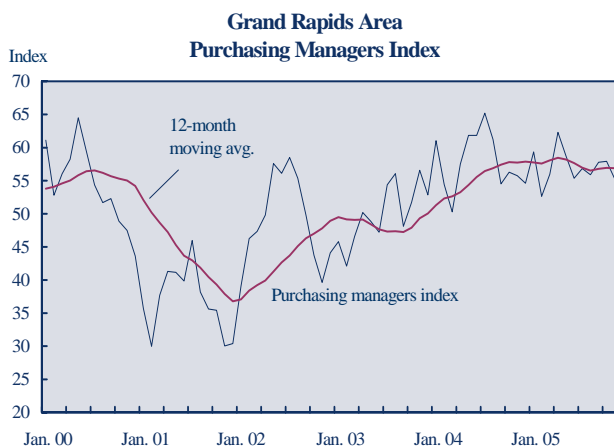
# Purchasing Managers Index and Major Economic Developments

In November, Kalamazoo-area economic conditions were “nicely positive” while the economy was “still strong” in the Grand Rapids area. That is according to Brian Long, author of *Current Business Trends*, a monthly report on the outlook of purchasing managers.

According to recent polling of purchasing managers, the past few months have seen a healthy economy emerge in the Grand Rapids area. During 2004 and early 2005, the Purchasing Managers Index had bounced up and down as the recovery attempted to gain solid footing in the region. Now, however, the Grand Rapids area has sustained six months of steady growth, continually registering a Purchasing Managers Index of between 55 and 59. This suggests that area firms may have finally settled on a sustainable path of economic

expansion, devoid of the false starts and corrections that have characterized the past few years.

Even though recent reports are positive, the Kalamazoo area has not reached a similar level of sustained growth yet. Over the past six months, the Kalamazoo Purchasing Managers Index has dropped below 50—the dividing line between growth and contraction—three times. This bouncing pattern between growth and expansion is not likely to instill confidence in local firms. Indeed, only 18 percent of firms reported hiring in November, despite the fact that half of all purchasing managers reported an increase in sales and 35 percent reported growth in production volume. Until a long-term pattern of growth truly emerges, long-term decision making in Kalamazoo may be on hold.



## Major Economic Developments

### Battle Creek MSA

Eaton announced that it may move production out of Marshall to Nebraska, eliminating 117 jobs.

In Albion, Anderson's Inc. is constructing a 55-million-gallon ethanol works, which will employ about 30 workers when completed in 2006.

Employment reductions appear to be likely at Lotte USA as it discontinues manufacturing and focuses on importing products into the area. The company currently employs 50 workers.

### Grand Rapids–Wyoming MSA

Lacks Enterprises plans to add 65 workers to its current workforce of 115 at its new plant, which opened in September.

Meridian Automotive Systems announced that it is closing one of its three Kentwood plants, eliminating 340 jobs.

Lear Corporation is scheduled to shut down its Alpine plant in December, eliminating its remaining 216 employees.

Kellogg announced that it could hire as many as 244 workers at the reopened Holland American Wafer Company plant.

### Holland–Grand Haven MSA

Haworth reported the hiring of 500 workers since March 2004 and planned to add 50 more workers in October of this year.

Leprino Foods announced that it plans to create another 50 jobs through an \$83 million expansion.

### Kalamazoo–Portage MSA

A group of anonymous donors have funded The Kalamazoo Promise, which will provide up to 100 percent of college tuition at any state university or college for Kalamazoo Public School graduates.

Clarion Technologies closed its plant in South Haven, which once employed 150 workers.

Dixie Epic Plant in Parchment, which employs 200 workers, is being spared from Georgia-Pacific's announced 1,000 worldwide job cuts.

### Muskegon–Norton Shores MSA

Johnson Technologies announced that it will be hiring another 55 workers by June 2006.

Howmet, the county's largest employer, has also been hiring additional workers.

### Niles–Benton Harbor MSA

Bosch continues to lay off workers as it reduces its workforce at its automotive components plant, which currently employs 800.

Eagle Technology will create approximately 40 jobs in Bridgman if the state approves the establishment of a tool and die recovery zone.

Harbor Shores, a large residential, commercial, and recreational project costing \$500 million has been approved for a package of brownfield tax incentives by the state.

# Appendix Tables

**Table A-1**  
**Selected Labor Market Indicators**  
(not seasonally adjusted)

Labor market area	Average for manufacturing production workers <sup>a</sup>						Civilian labor force unemployment rate <sup>b</sup>	
	September 2005						July 2005	Sept. 2005
	Weekly hours	% change, 2004–05	Hourly earnings	% change, 2004–05	Weekly earnings	% change, 2004–05		
United States	40.6	2.3	\$17.76	2.1	\$721.06	4.4	5.2	4.8
Michigan	42.4	-0.7	21.58	-1.3	914.99	-2.0	7.6	5.9
West Michigan MSAs:								
Battle Creek	—	—	—	—	—	—	7.4	5.9
Grand Rapids–Wyoming	39.7	3.1	18.16	2.0	720.95	5.2	6.8	5.4
Holland–Grand Haven	—	—	—	—	—	—	5.9	4.5
Kalamazoo–Portage	38.8	-0.5	14.73	-8.3	571.52	-8.8	6.3	4.9
Muskegon–Norton Shores	—	—	—	—	—	—	8.0	6.0
Niles–Benton Harbor	—	—	—	—	—	—	7.8	6.1
Other labor market areas:								
Ann Arbor	—	—	—	—	—	—	4.8	4.0
Bay City	—	—	—	—	—	—	7.4	5.8
Detroit–Warren–Livonia	43.8	0.9	24.93	-0.3	1,091.93	0.6	8.1	6.3
Flint	44.4	-5.3	31.11	-0.7	1,381.28	-6.0	9.5	6.9
Jackson	—	—	—	—	—	—	7.4	6.0
Lansing–East Lansing	41.5	-3.5	24.36	-0.9	1,010.94	-4.4	7.0	5.4
Monroe	—	—	—	—	—	—	7.7	5.6
Saginaw	—	—	—	—	—	—	8.7	6.8

<sup>a</sup> Earnings include overtime and part-time wages.

<sup>b</sup> Seasonally adjusted rate for U.S. was 5.5 percent in July 2005 and 5.0 percent in September 2005. Seasonally adjusted rate for Michigan was 7.0 percent in July 2005 and 6.4 percent in September 2005.

SOURCE: U.S. Department of Labor and the Michigan Department of Labor and Economic Growth (most recent benchmark).

**Table A-2**  
**Michigan Statistics**  
(seasonally adjusted)

Measure	2005 Q3	2005 Q2	% change, Q2 to Q3	2004 Q3	% change, Q2 to Q2
<b>Employment (by place of work)</b>					
Total nonfarm employment	4,351,900	4,371,030	-0.4	4,390,400	-0.9
Goods-producing	861,330	875,200	-1.6	888,370	-3.0
Natural resources and mining	8,200	8,570	-4.3	7,970	2.9
Construction	187,030	189,470	-1.3	190,770	-2.0
Manufacturing	666,100	677,170	-1.6	689,630	-3.4
Durable goods	520,160	530,000	-1.9	542,750	-4.2
Nondurable goods	145,940	147,160	-0.8	146,880	-0.6
Private service-providing	2,816,200	2,812,930	0.1	2,821,830	-0.2
Transportation and utilities	126,720	126,720	0.0	124,340	1.9
Wholesale trade	170,270	172,580	-1.3	171,030	-0.4
Retail trade	507,940	514,000	-1.2	515,300	-1.4
Information	64,470	65,100	-1.0	68,000	-5.2
Financial activities	218,700	218,000	0.3	217,970	0.3
Professional and business services	582,570	571,570	1.9	588,930	-1.1
Educational and health services	559,430	556,070	0.6	552,770	1.2
Leisure and hospitality	405,800	409,230	-0.8	404,530	0.3
Other services	180,300	179,670	0.4	178,970	0.7
Government	674,370	682,900	-1.2	680,200	-0.9
<b>Unemployment</b>					
Number unemployed	342,940	356,680	-3.9	348,860	-1.7
Unemployment rate (%)	6.7	7.0		6.9	
<b>State indexes (1996=100)</b>					
Help-wanted ads					
Detroit	27	28	-3.6	25	8.0
West Michigan (4 MSAs)	36	41	-12.2	43	-16.3
Local components					
UI initial claims	17,393	19,130	-9.1	15,781	10.2
New dwelling units <sup>a</sup>	39,561	41,098	-3.7	45,710	-13.5

NOTE: Employment numbers for durable, nondurable goods, transportation and utilities, wholesale trade, and retail trade are seasonally adjusted by the W.E. Upjohn Institute. Other numbers are seasonally adjusted by the Bureau of Labor Statistics. Categories may not sum to total due to rounding.

<sup>a</sup> Seasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F. W. Dodge Division, McGraw-Hill Information Systems Company; Detroit Help-Wanted Index from the Conference Board; and employment data from Michigan Department of Labor and Economic Growth.

**Michigan Industry Employment Change by Place of Work**  
**Third Quarter to Third Quarter**  
(not seasonally adjusted)

Industry	2005 Q3	2004 Q3	Percent change	Industry	2005 Q3	2004 Q3	Percent change
<b>Goods-producing</b>	877,970	904,930	-3.0	Furniture & home furnishings	18,830	18,070	4.2
Primary metals	26,700	27,270	-2.1	Food and beverage	87,700	89,900	-2.4
Fabricated metal products	82,770	82,730	0.0	Gasoline stations	26,030	26,730	-2.6
Machinery	76,070	76,000	0.1	Clothing & accessories	40,530	40,530	0.0
Transportation equipment	231,830	250,330	-7.4	General merchandise	107,470	113,430	-5.3
Motor vehicle parts	157,900	166,100	-4.9	Prof., scientific, & tech. svcs.	243,770	243,400	0.2
Furniture & related products	23,870	25,830	-7.6	Education services	61,630	60,530	1.8
Office furniture, incl. fixtures	17,230	18,370	-6.2	Ambulatory health care	162,900	162,270	0.4
Food	32,170	32,500	-1.0	Social assistance	54,030	55,700	-3.0
Paper	14,570	14,900	-2.2	Food svcs. & drinking places	314,700	315,230	-0.2
Printing and related support	17,770	18,300	-2.9	<b>Government</b>	621,900	628,130	-1.0
Chemical manufacturing	27,400	27,830	-1.5	Federal government	55,000	55,700	-1.3
Plastics & rubber products	42,470	42,830	-0.8	State government	160,330	159,800	0.3
<b>Private service-providing</b>	2,838,430	2,843,770	-0.2	Local government	406,570	412,630	-1.5
Automobile dealers	43,200	42,330	2.1	Local govt. education svcs.	222,200	223,430	-0.6

SOURCE: Michigan Department of Labor and Economic Growth.

**Table A-3**  
**Personal Income and Earnings by Industry (current dollars)**

Area	Income distribution	2003 <sup>a</sup>	2002 <sup>a</sup>	2001 <sup>a</sup>	2000	1999	1998	1993
<b>Battle Creek MSA</b>	Total personal income (\$000)	3,719,430	3,636,736	3,500,169	3,471,425	3,375,735	3,309,346	2,630,383
	Per capita personal income (\$)	26,778	26,213	25,292	25,138	24,458	24,019	19,092
	Earnings per worker (\$)	43,839	41,642	39,345	39,571	38,554	37,284	31,154
	Manufacturing	74,738	67,745	56,636	66,528	63,699	61,702	50,267
	Private nonmanufacturing	32,142	31,393	31,058	26,708	26,787	26,429	21,354
<b>Grand Rapids–Wyoming MSA</b>	Total personal income (\$000)	22,261,844	21,517,522	21,581,116	20,818,408	19,547,808	18,656,627	13,706,735
	Per capita personal income (\$)	29,188	28,429	28,761	28,023	26,638	25,717	20,114
	Earnings per worker (\$)	42,490	40,689	39,759	37,976	36,622	35,309	29,815
	Manufacturing	68,808	61,560	57,196	54,938	54,092	52,091	44,100
	Private nonmanufacturing	36,119	35,183	34,692	32,536	30,963	29,650	24,410
Barry County	Total personal income (\$000)	1,658,324	1,614,576	1,644,316	1,574,634	1,502,771	1,418,974	950,996
	Per capita personal income (\$)	28,153	27,746	28,583	27,664	26,754	25,412	18,235
	Earnings per worker (\$)	26,663	25,397	25,386	23,788	22,963	21,932	22,776
	Manufacturing	54,721	48,476	45,622	46,509	44,053	41,588	37,861
	Private nonmanufacturing	20,188	19,451	19,569	16,838	16,408	15,323	17,085
Ionia County	Total personal income (\$000)	1,422,107	1,351,896	1,322,854	1,291,427	1,243,980	1,162,533	882,421
	Per capita personal income (\$)	22,319	21,393	21,310	20,941	20,218	18,830	14,334
	Earnings per worker (\$)	36,070	33,391	31,854	30,289	29,688	28,481	25,151
	Manufacturing	66,473	54,863	51,205	48,481	45,374	43,071	34,952
	Private nonmanufacturing	24,146	23,526	22,167	20,722	20,840	19,759	16,370
Kent County	Total personal income (\$000)	18,087,205	17,497,701	17,573,848	16,938,017	15,831,665	15,158,310	11,224,071
	Per capita personal income (\$)	30,624	29,830	30,195	29,392	27,837	27,010	21,354
	Earnings per worker (\$)	44,183	42,363	41,383	39,525	38,026	36,664	30,551
	Manufacturing	69,729	62,595	58,116	55,740	54,887	52,996	44,862
	Private nonmanufacturing	38,016	37,054	36,544	34,330	32,571	31,175	25,244
Newaygo County	Total personal income (\$000)	1,094,208	1,053,349	1,040,098	1,014,330	969,392	916,810	649,247
	Per capita personal income (\$)	22,123	21,529	21,333	21,123	20,454	19,642	15,417
	Earnings per worker (\$)	30,887	29,305	28,868	28,217	28,730	27,351	24,576
	Manufacturing	62,549	56,390	51,977	49,855	55,920	51,259	41,202
	Private nonmanufacturing	23,077	21,771	21,731	21,114	21,055	20,329	18,023
<b>Holland–Grand Haven MSA</b>	Total personal income (\$000)	7,129,647	6,858,601	6,763,271	6,677,656	6,408,233	6,108,511	4,271,527
	Per capita personal income (\$)	28,570	27,830	27,769	27,881	27,279	26,628	21,129
	Earnings per worker (\$)	41,279	38,936	37,357	35,928	35,196	33,479	27,628
	Manufacturing	62,021	55,752	50,491	51,319	49,619	47,962	39,880
	Private nonmanufacturing	30,853	29,726	29,628	26,852	26,498	24,918	20,356
<b>Kalamazoo–Portage MSA</b>	Total personal income (\$000)	9,257,337	8,818,635	8,551,586	8,325,202	8,036,278	7,823,376	6,214,091
	Per capita personal income (\$)	28,947	27,741	27,070	26,412	25,624	25,079	20,532
	Earnings per worker (\$)	41,275	38,493	36,897	35,139	34,791	33,773	29,137
	Manufacturing	80,938	67,859	61,182	61,119	58,788	60,086	49,882
	Private nonmanufacturing	31,813	30,948	30,296	27,573	27,480	26,276	21,969
Kalamazoo County	Total personal income (\$000)	7,354,125	7,036,782	6,843,529	6,642,895	6,420,365	6,307,681	5,002,083
	Per capita personal income (\$)	30,429	29,269	28,625	27,813	27,024	26,692	21,797
	Earnings per worker (\$)	42,259	39,301	37,678	35,757	35,283	34,663	30,006
	Manufacturing	85,372	71,329	64,425	64,566	62,105	63,900	52,636
	Private nonmanufacturing	32,096	31,291	30,715	27,882	27,614	26,811	22,391
Van Buren County	Total personal income (\$000)	1,903,212	1,781,853	1,708,057	1,682,307	1,615,913	1,515,695	1,212,008
	Per capita personal income (\$)	24,362	23,001	22,232	22,032	21,249	20,040	16,565
	Earnings per worker (\$)	35,713	33,989	32,528	31,752	31,994	28,858	24,073
	Manufacturing	53,996	48,315	43,805	45,343	42,777	41,359	33,299
	Private nonmanufacturing	29,999	28,772	27,618	25,588	26,582	22,880	19,241
<b>Muskegon–Norton Shores MSA</b>	Total personal income (\$000)	4,239,954	4,103,581	4,073,987	3,943,373	3,742,920	3,537,067	2,692,897
	Per capita personal income (\$)	24,468	23,826	23,760	23,122	22,104	21,036	16,513
	Earnings per worker (\$)	36,144	34,926	34,399	33,128	32,426	31,861	28,051
	Manufacturing	59,860	55,922	51,648	54,315	52,453	51,094	44,295
	Private nonmanufacturing	29,042	28,123	28,313	25,517	24,823	24,162	20,891
<b>Niles–Benton Harbor MSA (Berrien County)</b>	Total personal income (\$000)	4,490,169	4,369,739	4,320,029	4,239,424	4,076,482	3,865,273	3,068,843
	Per capita personal income (\$)	27,572	26,891	26,649	26,072	25,159	23,853	18,912
	Earnings per worker (\$)	38,565	36,997	35,519	34,324	33,543	30,952	28,118
	Manufacturing	65,450	61,291	55,109	57,169	55,250	51,978	44,025
	Private nonmanufacturing	30,653	29,644	29,098	26,497	25,928	23,276	21,086

<sup>a</sup> 2001 through 2003 statistics are based on North American Industry Classification System (NAICS); other years are based on Standard Industrial Classification (SIC).

SOURCE: U.S. Bureau of Economic Analysis.

**Table A-4**  
**Consumer Price Index<sup>a</sup>**  
**U.S. City Average (1982-84=100)**

Year	Annual average	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
<b>CPI for All Urban Consumers (CPI-U)</b>													
1987	113.6	111.2	111.6	112.1	112.7	113.1	113.5	113.8	114.4	115.0	115.3	115.4	115.4
1988	118.3	115.7	116.0	116.5	117.1	117.5	118.0	118.5	119.0	119.8	120.2	120.3	120.5
1989	124.0	121.1	121.6	122.3	123.1	123.8	124.1	124.4	124.6	125.0	125.6	125.9	126.1
1990	130.7	127.4	128.0	128.7	128.9	129.2	129.9	130.4	131.6	132.7	133.5	133.8	133.8
1991	136.2	134.6	134.8	135.0	135.2	135.6	136.0	136.2	136.6	137.2	137.4	137.8	137.9
1992	140.3	138.1	138.6	139.3	139.5	139.7	140.2	140.5	140.9	141.3	141.8	142.0	141.9
1993	144.5	142.6	143.1	143.6	144.0	144.2	144.4	144.4	144.8	145.1	145.7	145.8	145.8
1994	148.2	146.2	146.7	147.2	147.4	147.5	148.0	148.4	149.0	149.4	149.5	149.7	149.7
1995	152.4	150.3	150.9	151.4	151.9	152.2	152.5	152.5	152.9	153.2	153.7	153.6	153.5
1996	156.9	154.4	154.9	155.7	156.3	156.6	156.7	157.0	157.3	157.8	158.3	158.6	158.6
1997	160.5	159.1	159.6	160.0	160.2	160.1	160.3	160.5	160.8	161.2	161.6	161.5	161.3
1998	163.0	161.6	161.9	162.2	162.5	162.8	163.0	163.2	163.4	163.6	164.0	164.0	163.9
1999	166.6	164.3	164.5	165.0	166.2	166.2	166.2	166.7	167.1	167.9	168.2	168.3	168.3
2000	172.2	168.8	169.8	171.2	171.3	171.5	172.4	172.8	172.8	173.7	174.0	174.1	174.0
2001	177.1	175.1	175.8	176.2	176.9	177.7	178.0	177.5	177.5	178.3	177.7	177.4	176.7
2002	179.9	177.1	177.8	178.8	179.8	179.8	179.9	180.1	180.7	181.0	181.3	181.3	180.9
2003	184.0	181.7	183.1	184.2	183.8	183.5	183.7	183.9	184.6	185.2	185.0	184.5	184.3
2004	188.9	185.2	186.2	187.4	188.0	189.1	189.7	189.4	189.5	189.9	190.9	191.0	190.3
2005	194.9	190.7	191.8	193.3	194.6	194.4	194.5	195.4	196.4	198.8	199.2		
<b>CPI for Urban Wage Earners and Clerical Workers (CPI-W)</b>													
1987	112.5	110.0	110.5	111.0	111.6	111.9	112.4	112.7	113.3	113.8	114.1	114.3	114.2
1988	117.0	114.5	114.7	115.2	115.7	116.2	116.7	117.2	117.7	118.5	118.9	119.0	119.2
1989	122.6	119.7	120.2	120.8	121.8	122.5	122.8	123.2	123.2	123.6	124.2	124.4	124.6
1990	129.0	125.9	126.4	127.1	127.3	127.5	128.3	128.7	129.9	131.1	131.9	132.2	132.2
1991	134.3	132.8	132.8	133.0	133.3	133.8	134.1	134.3	134.6	135.2	135.4	135.8	135.9
1992	138.2	136.0	136.4	137.0	137.3	137.6	138.1	138.4	138.8	139.1	139.6	139.8	139.8
1993	142.1	140.3	140.7	141.1	141.6	141.9	142.0	142.1	142.4	142.6	143.3	143.4	143.3
1994	145.6	143.6	144.0	144.4	144.7	144.9	145.4	145.8	146.5	146.9	147.0	147.3	147.2
1995	149.8	147.8	148.3	148.7	149.3	149.6	149.9	149.9	150.2	150.6	151.0	150.9	150.9
1996	154.1	151.7	152.2	152.9	153.6	154.0	154.1	154.3	154.5	155.1	155.5	155.9	155.9
1997	157.6	156.3	156.8	157.0	157.2	157.2	157.4	157.5	157.8	158.3	158.5	158.5	158.2
1998	159.7	158.4	158.5	158.7	159.1	159.5	159.7	159.8	160.0	160.2	160.6	160.7	160.7
1999	163.2	161.0	161.1	161.4	162.7	162.8	162.8	163.3	163.8	164.7	165.0	165.1	165.1
2000	168.9	165.6	166.5	167.9	168.0	168.2	169.2	169.4	169.3	170.4	170.6	170.9	170.7
2001	173.5	171.7	172.4	172.6	173.5	174.4	174.6	173.8	173.8	174.8	174.0	173.7	172.9
2002	175.9	173.2	173.7	174.7	175.8	175.8	175.9	176.1	176.6	177.0	177.3	177.4	177.0
2003	179.8	177.7	179.2	180.3	179.8	179.4	179.6	179.6	180.3	181.0	180.7	180.2	179.9
2004	184.5	180.9	181.9	182.9	183.5	184.7	185.3	184.9	185.0	185.4	186.5	186.8	186.0
2005	190.6	186.3	187.3	188.6	190.2	190.0	190.1	191.0	192.1	195.0	195.2		

<sup>a</sup> Monthly data shown above are not adjusted for seasonal variations. CPI data that are not seasonally adjusted are used extensively for escalation purposes. Although CPI is often called the "Cost of Living Index," it measures only price change, which is just one of several important factors affecting living costs. All CPI series are linked historically to the original CPI Index for Urban Wage Earners and Clerical Workers. These series contain no revision but are reprinted for the convenience of the user. PERCENT CHANGE: Movements of these indexes from one time period to another are usually expressed as percent changes rather than changes in index points. Index point changes are affected by the level of the index in relation to its base period, while percent changes are not. For example:

$$\frac{100 \times [(160.5 \text{ (1997 annual avg.)} - 156.9 \text{ (1996 annual avg.)})]}{156.9 \text{ (1996 annual avg.)}} = 2.3\% \text{ change 1996 to 1997, CPI-U.}$$

$$\frac{100 \times [(164.0 \text{ (November 1998)} - 161.5 \text{ (November 1997)})]}{161.5 \text{ (November 1997)}} = 1.5\% \text{ change November 1997 to November 1998, CPI-U.}$$

$$\frac{100 \times [(164.0 \text{ (November 1998)} - 164.0 \text{ (October 1998)})]}{164.0 \text{ (October 1998)}} = \text{No change, CPI-U.}$$

SOURCE: Bureau of Labor Statistics, U.S. Department of Labor.

**Table A-5**  
**Population Update for Selected Areas of West Michigan**

Area	Estimate	U.S. Census April			Annual change (%)		
	July				2000–	1990–	1980–
	2004	2000	1990	1980	2004 <sup>a</sup>	2000	1990
<b>Michigan</b>	10,112,620	9,938,444	9,295,297	9,262,044	0.4	0.7	0.0
<b>West Michigan Metropolitan Areas</b>							
<b>Battle Creek MSA (Calhoun County)</b>	139,067	137,985	135,982	141,557	0.2	0.1	-0.4
Battle Creek city <sup>b</sup>	53,399	53,364	53,540	56,339	0.0	0.0	-0.5
Albion city	9,184	9,144	10,066	11,059	0.1	-1.0	-0.9
Marshall city	7,359	7,459	6,891	7,201	-0.3	0.8	-0.4
<b>Grand Rapids–Wyoming MSA</b>	767,539	740,482	645,914	577,019	0.8	1.4	1.1
Barry County	59,371	56,755	50,057	45,781	1.1	1.3	0.9
Ionia County	64,378	61,518	57,024	51,815	1.1	0.8	1.0
Kent County	593,898	574,335	500,631	444,506	0.8	1.4	1.2
Grand Rapids city	195,115	197,800	189,126	181,843	-0.3	0.4	0.4
East Grand Rapids city	10,482	10,764	10,807	10,914	-0.7	0.0	-0.1
Grandville city	16,680	16,263	15,624	12,412	0.6	0.4	2.3
Kentwood city	46,538	45,255	37,826	30,438	0.6	1.8	2.2
Walker city	23,315	21,842	17,279	15,088	1.4	2.4	1.4
Wyoming city	70,300	69,368	63,891	59,616	0.3	0.8	0.7
Newaygo County	49,892	47,874	38,202	34,917	1.0	2.3	0.9
<b>Holland–Grand Haven MSA (Ottawa County)</b>	252,351	238,314	187,768	157,174	1.3	2.4	1.8
Grand Haven city	10,733	11,168	11,951	11,763	-1.0	-0.7	0.2
Holland city <sup>c</sup>	34,606	35,048	30,745	26,281	5.6	1.3	1.6
<b>Kalamazoo–Portage MSA</b>	319,265	314,866	293,471	279,192	0.3	0.7	0.5
Kalamazoo County	240,724	238,603	223,411	212,378	0.2	0.7	0.5
Kalamazoo city	73,960	77,145	80,277	79,722	-1.0	-0.4	0.1
Portage city	45,210	44,897	41,042	38,157	0.2	0.9	0.7
Van Buren County	78,541	76,263	70,060	66,814	0.7	0.9	0.5
<b>Muskegon–Norton Shores MSA (Muskegon County)</b>	174,401	170,200	158,983	157,589	0.6	0.7	0.1
Muskegon city	39,954	40,105	40,283	40,823	-0.1	0.0	-0.1
Muskegon Heights city	11,807	12,049	13,176	14,611	-0.5	-0.9	-1.0
Norton Shores city	23,287	22,527	21,755	22,025	0.8	0.3	-0.1
<b>Niles–Benton Harbor MSA (Berrien County)</b>	163,125	162,453	161,378	171,276	0.1	0.1	-0.6
Benton Harbor city	10,851	11,182	12,818	14,707	-0.7	-1.4	-1.4
Niles city	11,876	12,204	12,456	13,115	-0.6	-0.2	-0.5
St. Joseph city	8,701	8,789	9,214	9,622	-0.2	-0.5	-0.4
<b>Total</b>	1,815,748	1,764,300	1,583,496	1,483,807	0.7	1.1	0.7
<b>Rural Southwest Michigan</b>							
Allegan County	112,477	105,665	90,509	81,555	1.5	1.6	1.0
Branch County	46,444	45,787	41,502	40,188	0.3	1.0	0.3
Cass County	51,761	51,104	49,477	49,499	0.3	0.3	0.0
Oceana County	28,415	21,645	22,454	22,002	1.3	-0.4	0.2
St. Joseph County	62,964	62,422	58,913	56,083	0.2	0.6	0.5
<b>Total</b>	302,061	286,623	262,855	249,327	0.8	0.9	0.5

<sup>a</sup> 2000 to 2004 growth rate is based on July to July estimates.

<sup>b</sup> For comparison purposes, 1980 population for Battle Creek city is the combination of Battle Creek city (35,724) and Battle Creek township (20,615), which was annexed in 1983.

<sup>c</sup> Population for Holland city is total population of city located in Ottawa and Allegan counties.

SOURCE: State of Michigan Department of Management and Budget and U.S. Census Bureau.



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